

Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

Paris, Monday, April 11, 1994

No. 34,559

U.S. Jets Hit Guns Firing on 'Safe' Area As UN Carries Out Warning to Serbs

2 F-16s Answer Appeal By Allied Ground Troops

Compiled by Our Staff From Dispatches

WASHINGTON — Two U.S. Air Force jets under NATO command bombed positions in the Muslim enclave of Gorazde in Bosnia on Sunday after Bosnian Serb forces broke through government defenses and threatened to overrun the city.

It was the first time since Bosnia's war began two years ago that the United Nations carried through on threats of air strikes on ground positions.

"UN peacekeeping forces requested close air support," according to U.S. military officials. "Two U.S. Air Force F-16s responded."

The planes took off from the U.S. air base in Aviano, northern Italy.

Sir Michael Rose, the British lieutenant general who commands UN forces in Bosnia, said Sunday he called in the air strike on forces after a Bosnian Serb tank began firing directly into the town of Gorazde.

The two U.S. jets, diving out of low cloud cover, bombed a Serbian artillery position targeting Gorazde and Serbian shelling of the town, which had escalated dramatically through the day, ceased 18 minutes later, General Rose said.

The UN secretary-general, Boutros Boutros Ghali, said that planes would strike again if necessary to protect UN-designated "safe havens."

President Bill Clinton also warned that the U.S. remained prepared to act again if requested to do so and said the air strike "was a clear signal" to the Serbs of UN and U.S. resolve.

Hours earlier, ignoring warnings by the United Nations to stop their advance, Bosnian Serb soldiers swarmed into Gorazde's southern suburbs, where there was heavy sniper fire and scenes of civilian panic.

The Bosnian Serb forces on Sunday acknowledged the air strikes and called them an act of aggression.

"By this act, NATO carried out a clear act of aggression against Serbian people," the Yugoslav news agency Tanjug quoted a Bosnian Serb Army source as saying. The Serbian source accused NATO of "striking at civilian targets far from the front line."

The Bosnian Serb Army later said the strike caused some civilian casualties, Tanjug reported. It quoted the deputy chief of the Bosnian Serb Army, General Milan Gvero, as saying NATO planes fired four missiles at civilian targets.

There was no immediate reaction from the Bosnian Serb political leadership or from the Muslim-led Bosnian government, which had long called for air strikes by the North Atlantic Treaty Organization against the Serbs.

UN relief officials said that the United Nations was temporarily suspending aid convoys through Serbian-held areas. They said the suspension would take effect on Monday but did not say how long it would last.

UN officials in Sarajevo said two Serbian tanks were hit in the NATO air attack. They said they did not know exactly what had

prompted the UN forces to call for the air support.

The request for the raid by General Rose had reportedly been approved by the civilian head of the UN Protection Force, Yasushi Akashi.

NATO has used the threat of air strikes to deter Serbian forces from attacking UN-declared safe havens in Bosnia. The threat was a factor in forcing the Serbs to withdraw their guns from Sarajevo in February.

It was only the second time in the history of the alliance that NATO forces had been involved in combat. The first engagement was ordered in February, when NATO aircraft downed four Serbian aircraft. But that action was carried out to enforce an air-exclusion zone the West has imposed over the former Yugoslav republic, rather than to deter a Serbian ground attack.

A spokeswoman for Mr. Boutros Ghali said Sunday that the secretary-general had not wavered on using air power.

The spokeswoman, Therese Gastaut, said: "As we have seen today, the secretary-general has not hesitated to use close air support and he would like to make it very clear that he will not hesitate to do so again to protect the UN-designated safe areas."

Gorazde, 55 kilometers (35 miles) south of Sarajevo, is one of the six safe areas for Bosnian Muslims established last year by the United Nations. But Serbs continued to besiege the city, as they have for most of the two-year war.

As the Serbs pushed closer to the city, hundreds of civilian refugees from outlying areas poured into Gorazde overnight Saturday, said Peter Kessler, a spokesman for the UN High Commissioner for Refugees.

Mr. Kessler said later that his agency, which has four staffers in Gorazde, reported the town was growing calmer on Sunday evening.

The fall of Gorazde would be a serious embarrassment for General Rose and his UN peacekeepers, who had minimized the extent of the Bosnian Serb offensive and had doubted if the Serbs intended to capture the city.

General Rose, who was concentrating on attempts to reach an overall cease-fire between Muslims and Serbs in Bosnia, changed tack on Sunday when he said the Serbs had been warned "in no uncertain terms" to halt their Gorazde offensive.

A UN military spokesman, Major Rob Annink, said the F-16s had dropped their bombs under the direction of a forward air controller. The United Nations has deployed ground-based controllers as part of its planning for air raids.

The statement said that assessment of the damage caused by the raids was under way and that the Bosnian Serbs had been warned to halt their attack on Gorazde.

A UN source in Belgrade said there had been two air strikes in the Gorazde area and that Bosnian Serbs responded with anti-aircraft fire. Shortly after the bombing runs, the intensity of

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An American couple embracing at Butare, southern Rwanda, after they were reunited while fleeing the country. The man had been held back in Kigali and left with a military unit.

West Steps Up Pullout as Rwanda Fighting Abates

Compiled by Our Staff From Dispatches

KIGALI, Rwanda — Fires burned on the outskirts of this devastated capital and hundreds of people looted aid warehouses on Sunday as fighting abated after three days of savage chaos.

Western countries continued an emergency evacuation of their citizens.

Relief officials estimated that as many as 10,000 people had been killed in Kigali alone

in fighting that is the result of a struggle between the Hutu and Tutsi ethnic groups.

About a dozen fires burned on the outskirts of the capital and the Red Cross said there was looting in the city. Radio France International said hundreds of people were involved, and that the stocks of the Red Cross and World Food Program had been plundered.

Belgium landed fresh troops at the Kigali

International Airport to help its UN peacekeeping contingent rescue 1,300 Belgian residents, the largest Western community in Rwanda and the foreign group most at risk in the tribal bloodbath.

Fears of an advance on the capital by 4,000 Tutsis of the Rwandan Patriotic Front were initially eased by a cease-fire agreement between the army and the rebels, a Belgian UN commander said Sunday.

"The two sides agreed this morning on a cease-fire and apart from sporadic shots it seems to be holding," Colonel Luc Marchal said in Kigali in an interview with Belgian television.

But the International Committee of the Red Cross said later that Rwandan Army forces and rebels clashed on the outskirts of

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With Japan's Political Shift, Economic Bets Are Off

By James Sterngold

New York Times Service

TOKYO — The economic news in Japan has been grim for the past year, so it came as a relief when Yasushi Mieno, the governor of the Bank of Japan, cast off misgivings last week and stuck out his neck, declaring that the prospects for a recovery this year were brightening.

Businessmen had waited a long time to hear that, but their joy was short-lived.

Prime Minister Morihiro Hosokawa's startling announcement on Friday that he was resigning because of a financial scandal has left economists fretting that a sustained period of political turbulence could abort what even optimists expected to be only a fragile recovery.

The resignation itself may not have killed the recovery,

economists said, but it did great damage to the public's confidence in the economy's health. It also means that in the coming weeks, economists are likely to be looking more at the scramble for power in the parliament than at their computer projections for signs of the economy's direction.

"Never in recent memory has the state of the economy been

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so intertwined with the political situation," said Tsutomu Tanaka, deputy minister of the Economic Planning Agency. "But if the bright signs were solid, they wouldn't be so affected by politics."

Added Kosaku Inaba, chairman of the Japan Chamber of Commerce and Industry: "We were just about to see the light

in the dark tunnel, but Hosokawa's resignation has created uncertainty over the economic outlook. The political disorder will have a negative impact on Japanese industry, and political leaders need to fix the situation as soon as possible."

Most forecasters have been saying that the economy will probably grow slightly less than 1 percent this year, a modest improvement over the anemic 0.1 percent growth rate in 1993.

At this point, analysts have little more than instinct to go on, because the battle to choose a successor to Mr. Hosokawa is far from over and the differences in economic policy between the various candidates are not great. But the stock market on Friday made what many analysts said was a reasonable assessment of the risks.

As the news hit the market in the early afternoon, prices

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China's Social Rifts Nurture Dissidents

By Lena H. Sun

Washington Post Service

BENGBU, China — Without warning or explanation, a police bulldozer plowed into an apartment complex here and demolished several brick-and-plaster homes. Residents watched helplessly as the walls turned into rubble.

"They paid bribes to the police and we didn't," said one young woman, angrily jerking her head at the homes left untouched.

A pro-democracy activist, Zhang Lin, 31, who had been observing from the sidelines, intervened and asked her: "Is the government right to 'tear down your homes'? If the police

took bribes, is this the kind of government we should have?"

The women did not answer. But for Mr. Zhang, simply raising the question was an important victory. Later that week, he would do the same with workers unhappy over low wages and with peasants in neighboring villages who live in fear of local Communist Party bosses who they say beat and bully them.

For activists like Mr. Zhang, the widening rifts in Chinese society are becoming a fertile breeding ground for the democracy movement.

"The democracy movement is at a crossroads right now," he said. "We plan to use our experi-

ences to lead peasants and workers. That is the best way for us to develop the movement."

The focus by some dissidents on specific grievances is a change from the abstract calls for democracy that characterized the student-led Tiananmen Square movement crushed by the army in Beijing on June 4, 1989. For the Communist Party, which has for decades called itself the dictatorship of the proletariat, this focus on workers and peasants strikes at the heart of its grip on power.

Some dissidents even say that the urban and rural discontent is so deep that only a violent

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Missing the Missiles: South Dakotans Have That Empty Feeling

By John F. Harris

Washington Post Service

UNION CENTER, South Dakota — Folks here lived for decades knowing that the Cold War might end with a nuclear doomsday in their own backyards. What happened instead was not a big bang, but a dull thud.

Silo H-10, which for 30 years held a missile whose purpose was to rain destruction on what was the Soviet Union, was itself destroyed Thursday with 300 pounds of conventional explosives set off by its owner, the U.S. Air Force.

There was a muffled roar, and a mound of dirt sprang into the sky, a highly symbolic moment for a place where nuclear brinkmanship once was a local specialty. Earlier in the day, the last of 150 Minuteman-2 missiles that had peckmarked 13,000 square miles (33,500 square kilometers) of South Dakota's high plains was pulled from the earth under terms of the 1991 Strategic Arms Reduction Talks with the former Soviet Union.

Yet, in the shadow of the Black Hills, there is a final Cold War irony: Many people miss the missiles.

"I kind of hate to see 'em go," said Darrell Steffes, a rancher, in a widely echoed sentiment. "I can't see where they caused a damn bit of harm, and I think they contributed to our security. And they've sure put a lot of money into the economy."

The silo that was blown up Thursday was surrounded by Mr. Steffes's ranch. Most of the one-acre silo sites run by Ellsworth Air Force Base's soon-to-be inactivated 44th Missile Wing are similarly situated on family farms.

This mix of Norman Rockwell settings with Dr. Strangelove horrors may strike outsiders as surreal. But locals long ago stopped thinking it was spooky to have an instrument of mass annihilation buried in the pasture.

"How much do people in Washington, D.C., worry about living near the 'Black Box'?" asked Gene Williams, who also had a missile on his farm. He was referring to the nuclear code book always within easy reach of the president

of the United States. "It's one of those things that you get used to and don't give it a second thought."

That attitude even seeped through to the people who worked on the missiles. "To me it's a regular 9-to-5 job," said Michael Kistler, a missile-maintenance man. "I don't see it as something used to kill."

It is easy to see how what was once haunting gradually became banal. Air force officials let visitors climb down into a silo and roam around as the last missile was being pulled. What greeted people was not an eerie, high-tech netherworld, but a strikingly pedestrian place.

Instead of dazzling gadgetry, there were pulleys, pipes and hoses, along with a clunky computer that was protected by a combination lock and looked a bit like a bank safe. Air force officials said it held a 64K memory, far less power than the typical laptop computer.

"It's like a Model T — it still gets you where you want to go," said an Ellsworth spokesman, Kevin Krejcarek. The Minuteman-2 can deliver a bomb to a target 6,000 miles (about 10,000 kilometers) away in about 30 minutes.

But it has been superseded by other missiles in the U.S. arsenal, which was one reason former President George Bush agreed three years ago to scrap it.

The stand-down has been a gradual process: the nuclear warheads were taken off the missiles in late 1992.

While the missiles are gone from South Dakota, several dozen are still to be removed from Whiteman Air Force Base in Missouri; Minuteman-2 missiles remaining at Malmstrom Air Force Base in Montana will be converted into more modern Minuteman-3 versions.

The air force will retain plenty of ballistic-missile power. There are 500 Minuteman-3 and 50 Peacekeeper missiles at bases in North Dakota and Wyoming.

Even these, however, are going into a relaxed posture. Although the Minuteman-3 holds three warheads and the Peacekeeper holds 10, over the next several years both are to be revamped to hold a single warhead each. According to the air force, in peacetime the missiles will be aimed toward the ocean.

Kiosk

Menem Party Beaten In Buenos Aires Vote

BUENOS AIRES (Reuters) — A leftist coalition rumbled the government of President Carlos Saul Menem in Buenos Aires on Sunday in elections for an assembly that will reform the Argentine constitution, a senior official said.

Exit polls showed the outcome in the capital, which does not affect a nationwide victory for Mr. Menem's Peronists, as giving the leftist Broad Front a lead of 10 percentage points or more, the official said.

Tastemakers

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Antilles.....11.20 FF	Morocco.....12 Dh
Cambodia.....1.400 CFA	Qatar.....8.00 Riels
Egypt.....E.P. 5000	Reunion.....11.20 FF
France.....9.00 FF	Saudi Arabia 9.00 R.
Germany.....960 CFA	Senegal.....960 CFA
Greece.....300 Dr.	Spain.....200 Ptas
Ivory Coast 1.120 CFA	Tunisia.....1.000 Din
Jordan.....1 JD	Turkey.....L. 15.000
Lebanon.....US\$ 1.50	U.A.E.....8.50 Dirh
	U.S. Mil. (Eur.) \$1.10

On U.S. 'Campaign,' Kohl Challenger Courts Clinton

By Craig R. Whitney
New York Times Service

BONN — Rudolf Scharping, the Social Democratic challenger to Chancellor Helmut Kohl in Germany's elections on Oct. 16, is taking his campaign to the United States this week, hoping to persuade President Bill Clinton and other leaders that he will be as reliable an ally as Mr. Kohl.

"There are some people in Germany who believe that NATO could be replaced by something else," he said before his departure, distancing himself from more radical members of his party who have suggested replacing the alliance with the 52-nation Conference on Security and Cooperation in Europe.

"There are others, like the Green Party, who believe NATO can be disbanded," he said, referring to the environmentalist grouping that many German commentators speculate he would have to rely on for support in parliament if he won.

"I think both views are wrong," Mr. Scharping said. "We want NATO, and we understand it to be more

than just a defense alliance. It's also accomplished a great deal politically."

One of its achievements, he believes from his experience as governor of the state of Rheinland-Palatinate, where 150,000 U.S. soldiers and their families were stationed at the height of the Cold War, is a gradual reconciliation between Germans and Americans.

Mr. Scharping, 46, was elected leader of the Social Democratic Party in June, and has concentrated on restoring the centrist image it had when it last held power, under Chancellors Willy Brandt and Helmut Schmidt, more than a decade ago.

Mr. Kohl's Christian Democrats say Mr. Scharping will be unable to escape the influence of his left wing, which since Mr. Schmidt was deposed in 1982 advocated accommodation with the Communists in Eastern Europe and distanced itself from U.S. military policies.

Although Mr. Scharping got into trouble last month for botching an explanation of a campaign pledge to impose a 10 percent tax surcharge on higher incomes (above \$35,000, not \$30,000 as he said), Mr. Kohl said

last week that his party would impose a 7.5 percent surcharge on all taxpayers next year for as long as it took to get the formerly Communist eastern sections of the country into decent economic shape.

The Social Democrats lead the Christian Democrats by about five percentage points in public opinion polls, but Mr. Kohl dismissed that as irrelevant six months before the elections.

Mr. Scharping is scheduled to see Mr. Clinton in the White House on Tuesday, and said he wanted to discuss such things as the economic policies both men want to stimulate growth, create jobs and reduce budget deficits on both sides of the Atlantic.

During his talks with other officials and business representatives in New York City, Mr. Scharping also expects to be questioned about his party's opposition to German military participation in United Nations peacekeeping missions that could involve the risk of combat.

The Social Democrats challenged Mr. Kohl's decision to send 1,500 German soldiers to Somalia last year, and also argued that the 1949 German Constitu-

tion barred participation in military enforcement of the naval and air blockades around Bosnia. The German constitutional court is expected to rule on the issue this summer.

Mr. Scharping said that he was for German participation in UN activities if they were constitutional and parliament approved. He added: "These soldiers must have the right to defend themselves and to carry out their mission. I am also for Germany's taking part in blockade actions, and if need be in their military enforcement. That describes everything the United Nations has done in recent years and will realistically be able to do in the near future."

What actions the world will realistically welcome from Germany is another question, Mr. Scharping is aware of the burden of German history on his generation.

He believes that "remembrance is the secret of reconciliation," as he put it, and also the best way of combating evils like the recent rise of neo-Nazi radicals in his country.

WORLD BRIEFS

Mitterrand Opens 1944 Observances

THONES, France (Reuters) — President François Mitterrand, launching 50th anniversary commemorations of the liberation of France, paid tribute Sunday to young Resistance fighters killed on the eve of D-Day.

Mr. Mitterrand led 3,000 survivors and families of the fallen in a ceremony commemorating members of the Maquis, or partisan bands, who faced German mountain troops and French collaborators in a battle on the Alpine Plateau des Glières in March 1944. The fighting was the first major open battle by the Resistance against the occupiers and took place just weeks before the June 6 allied landings in Normandy.

"It was a tragedy which ended in blood and in horror," Mr. Mitterrand said of the heavy casualties suffered by the Maquisards and the local population, who endured reprisals by the Nazis and collaborationist Vichy forces.

Zhirinovskiy Arrives in Strasbourg

PARIS (AP) — The Russian ultranationalist Vladimir V. Zhirinovskiy arrived Sunday in France after the government granted him a visa to attend the Council of Europe's parliamentary session in Strasbourg.

Mr. Zhirinovskiy's arrival was guarded by police. Jewish organizations called for a protest Monday in Strasbourg against the Russian lawmaker, whose extremist Liberal Democratic Party captured a large share of the vote in Russian parliamentary elections in December.

Mr. Zhirinovskiy was to attend the spring session of the Council of Europe's assembly meeting as part of an 18-member Russian parliamentary delegation. The visit was granted "for the city of Strasbourg only and for the duration of the parliament's session," said Catherine Colonna, a spokeswoman for the Foreign Ministry. She said that France's agreement with the Council of Europe obligated it to grant the visa, and added that Mr. Zhirinovskiy would not otherwise have been given a visa to visit France.

Italian Federalist Outlines Demands

PONTIDA, Italy (Reuters) — Umberto Bossi, the leader of the federalist Northern League, on Sunday attached strict conditions to his party's entry into the next government and again raised the prospect of a breakaway by the North.

In a speech to thousands of supporters, Mr. Bossi demanded commitments to federalism and free-market economics in return for entering a government and set a six-month deadline for their implementation. Attempts to form a government have been blocked by quarrels between his group and the Forza Italia party of the media magnate Silvio Berlusconi and Gianfranco Fini's neo-fascists; the three make up the Freedom Alliance that emerged triumphant in elections last month.

"Within the new government we want two specific mandates for the League's ministers," Mr. Bossi said, one "to write a new federalist constitution" and another "to write an anti-trust law like they have in America." He said the League would bring down the government and lead a northern breakaway if it did not get swift action.

Christopher Warns North Korea

WASHINGTON (Reuters) — Secretary of State Warren M. Christopher said Sunday that diplomatic efforts to get North Korea to allow international inspections of its nuclear sites could last another six months. But he warned North Korea not to use the time to develop its nuclear capability, saying that would change the situation.

Mr. Christopher, appearing on NBC's "Meet the Press," also said the United States would not rule out options — including preemptive strikes — if North Korea does not yield to international pressure.

"Well, I think that Secretary Perry's use of six months is not a bad period of time," Mr. Christopher said, referring to comments made last week by Defense Secretary William J. Perry. Mr. Perry said the United States would have to shift from diplomacy to stiffer actions in six months if the situation remained unchanged.

TRAVEL UPDATE

British Airways Halts Yemen Flights

LONDON (Reuters) — British Airways said Sunday that it would stop its twice weekly flights to Yemen because of political uncertainty in the country and a steep decline in demand.

The airline resumed its Tuesday and Saturday flights to Yemen six months ago. They will be halted on May 8. Company officials said the decision was prompted by "a steep decline in demand and general political uncertainty in the country as well as a lack of suitable agreement to allow the airline to continue to serve both Aden and Sana'a with the same flight."

Vietnam Airlines is to begin regular flights to Japan in September but will fly to the new Kansai Airport in Osaka after being refused permission to use Tokyo's crowded Narita Airport, the Vietnam Investment Bureau reported Sunday. (APF)

Bomb threats have been made against the U.S. embassy in Kenya and other American interests there, the State Department said. The department warned Americans to take extra precautions. (APF)

Egypt hopes to build a bridge over the Suez Canal modeled on San Francisco's Golden Gate, a canal official said Sunday, and will seek a \$200 million loan from Japan for its construction. (AP)

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Costa Rica, Mauritius.
TUESDAY: Thailand.
WEDNESDAY: Sri Lanka.
THURSDAY: Burma, Honduras, Israel, Nepal, Sri Lanka.
FRIDAY: Burma.
SATURDAY: Burma.

Sources: J.P. Morgan, Reuters.

Israel Ban on Arabs Could Last Months

Replacing Workers a Problem

By Clyde Haberman
New York Times Service

JERUSALEM — Government ministers suggested strongly Sunday that a newly imposed ban on Palestinian entry into Israel could last weeks and perhaps even months, although some senior officials complained that the restrictions would deprive innocent people of their livelihood.

For most ministers, however, the potentially harmful impact on Palestinians took a distant second place to their main goal of reassuring Israelis about their personal security after several lethal attacks, most prominently a suicide car bombing by a West Bank Palestinian that killed 7 Israelis and wounded 44 others last week.

The most effective solution, the government says, is to keep Palestinians out. It is also a popular tactic among Israelis, for after serious terrorist attacks they tend to feel safer if there are no Arabs around, even though it also means there are fewer people to fill construction and farm jobs that Jews in this country usually shun.

The ban, in effect for the last three days, makes it illegal for the 1.8 million Palestinians from the occupied West Bank and Gaza Strip to be inside Israel, including tens of thousands of low-paid workers who normally enter each day. Officially, this sealing-off of

the territories is to last through this week and it will then be re-evaluated. Islamic radicals threaten new raids to mark Israel's Independence Day celebrations on Thursday.

It is not the first time that such prohibitions were ordered, and in the past they invariably were eased after a while. But leaving their weekly meeting Sunday, cabinet members said that this ban may be more than a quick fix.

"The closing is to be prolonged," Agriculture Minister Yaacov Tzur said.

Housing Minister Binyamin Ben-Eliezer said that he thought it would be retained even after Palestinian self-rule begins in Gaza and the West Bank town of Jericho, something that is supposed to happen soon, although Israel and the Palestine Liberation Organization are still trying to work out details in talks that resumed in Cairo on Sunday.

It seems extremely unlikely that the negotiators will meet their original target date of Wednesday for completing arrangements for an Israeli troop withdrawal from Gaza and Jericho.

As an added sign of Israel's intention to make this territorial closing a long one, Prime Minister Yitzhak Rabin was quoted by other cabinet members as saying that he wanted to keep it intact until the



An Israeli soldier checking identity cards of Palestinian bus passengers Sunday at a roadblock on the Jerusalem-West Bank border.

self-rule agreement with the PLO had "proven itself."

Presumably, that means until there is a significant decline in Palestinian attacks on Israelis, and some officials said it could take many weeks and even months before that becomes clear.

Freeing itself from cheap Palestinian labor is no easy task for Israel, which had come to take it almost for granted after capturing the territories in the 1967 Middle East War. But since the Gulf War of 1991, it has gradually reduced the number of Palestinian workers allowed in, replacing them with a few thousand foreign laborers and with Israelis offered subsidies and other incentives to take jobs they had previously rejected.

A little over a year ago, just before another territorial closing after a wave of anti-Israel assaults, as many as 120,000 workers were permitted into Israel each day from the territories. That number had shrunk to 60,000 or less by early this year. And since the Hebron massacre on Feb. 25, when restrictions were reimposed, it has dwindled much further as the result of curfews and other restrictions.

With no one now allowed in, the cabinet agreed Sunday to give six-month visas to about 15,000 foreign construction workers, many expected to be from Romania and Bulgaria, and to 3,200 farm hands, mostly from Thailand and Turkey. That would increase the number of foreign laborers to over 35,000, an important change for Israel, which traditionally had re-

jected the "guest workers" common to Western Europe.

But separating the Israeli and Palestinian populations for long periods may not be easy, government officials and military commanders caution.

Deputy Defense Minister Mordechai Gur said this weekend that keeping Palestinians out of pre-1967 Israel in effect defines borders, something that the Israelis insist they do not want to do at this stage of their talks with the PLO.

Major General Malan Vilnai, commander of Israeli forces in Gaza, warned that confining Palestinians to the turbulent coastal strip increased the likelihood of anti-Israel disturbances there.

There also are questions about what exceptions will have to be

made — for example, Arab doctors and nurses from the West Bank who are now cut off from major hospitals in East Jerusalem. In addition, the closing keeps thousands of other Palestinians from East Jerusalem, which they regard as their religious, cultural and economic center, as well as the capital of their hoped-for statelet.

Some Palestinians denounced what they called collective punishment, and they received support from a few Israeli cabinet members, including Communications Minister Shulamit Aloni.

"They are human beings," she said. "They have families. They have to work. They have to feed their children. And we know that the terrorists are people who can come in even if we will have a closure."

Russian and Ukrainian Navies in Stormy Waters

By Lee Hockstader
Washington Post Service

MOSCOW — An armed confrontation at sea between Russian and Ukrainian vessels has inflamed the already prickly relations between naval forces of the two nuclear-armed countries.

The incident apparently began late Friday in the Ukrainian port of Odessa and ended after a daylong naval chase on the Black Sea when four Ukrainian fighter jets buzzed

the Russian fleet headquarters in Sevastopol on Saturday evening.

Although the two sides gave conflicting accounts, it seemed clear that the episode was by far the most serious yet between Russian and Ukrainian seamen, whose competing claims to the Black Sea Fleet in the last two years have led to mounting tensions and recriminations.

In Sevastopol, Russian and Ukrainian naval forces live side by side, their ships moored in the same harbor, in what must be one of the world's most disharmonious military "partnerships."

Incidents during the past year, sailors from the two forces have tied each other up and threatened each other with weapons. The Russians have chased one Ukrainian ship and prevented another one from docking by chopping its mooring ropes with an axe.

With the Ukrainians practically

bankrupt, there are frequent squabbles over finances. Add to that a constant rhetorical barrage by both sides and the result is an uneasy relationship deteriorating by the day.

At the heart of the matter is the tangled question of who "owns" the 300 mostly aging ships of the former Soviet Black Sea Fleet, a force of more historical than strategic importance but nonetheless one that sits passively in both countries.

Ukraine Agrees 'in Principle' to Close Chernobyl Completely

By Thomas W. Lippman
Washington Post Service

WASHINGTON — The government of Ukraine has agreed "in principle" to shut down the remaining nuclear power reactors at Chernobyl, site of the world's worst

commercial nuclear accident, the U.S. Energy Department has announced.

Closure of the infamous power station near Kiev is not imminent because Ukraine still needs the electricity it produces. But U.S. Deputy Energy Secretary William White said the agreement he signed Friday in Kiev "puts Ukraine unambiguously on the fast track to shut-down."

He refused to offer a timetable, but said it would be easier than Ukraine had previously thought to find substitutes for the power station's output. If nothing else, he said, U.S. experts have convinced the Ukrainians that simple conservation measures such as installation of electricity meters and modest price increases can cut electricity use enough to warrant rapid closure of the most danger-

ous of the reactors at Chernobyl.

Much of Europe has lived in fear of Chernobyl since the 1986 accident there spread radioactive fallout over several countries. The official death toll from that accident is still listed as fewer than 100, but public health authorities in Ukraine and neighboring Belarus have said thousands more have died of diseases apparently related to the accident.

The International Atomic Energy Agency reported last month that it had found "numerous safety deficiencies" at Chernobyl. It also said the concrete sarcophagus built to encase the reactor that exploded in 1986 was deteriorating rapidly.

Mr. White confirmed that finding. "Even the plant manager told

me during my visit yesterday he thought the sarcophagus was dangerous," he said at a news conference Saturday after returning to Washington.

During his meetings in Ukraine, he said, officials of several ministries said they favored shutting down Chernobyl as soon as possible, but nuclear industry officials insisted it had to be kept open at least till 1998 and could be operated safely.

Mr. White praised Vice Premier Valeri Shmarov for coming down on the side of closure and signing an agreement that Mr. White said "commits Ukraine to cease operating Chernobyl at the earliest possible time."

According to a text of the U.S.-

Ukraine agreement distributed by the U.S. Energy Department, however, the closure agreement is less clear-cut than that.

It says: "The Ukrainian side agreed to cease operation of the Chernobyl plant once it reached a balance in the energy system and found resources to take the plant out of operation."

According to Mr. White, the Ukrainians want at least enough electricity to get them through next winter. But he said a joint study of available resources, to be completed in early summer, is expected to show Ukraine that conservation and alternative fuels can make up the difference.

Ukraine is highly nuclear-dependent, drawing about 40 percent of its electricity from nuclear power.

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POLITICAL NOTES

Mitchell Weighs Senate Duties and Court

WASHINGTON — The Senate majority leader, George J. Mitchell, a leading candidate for a seat on the Supreme Court, said Sunday that he would have to consider leaving his Senate post if nominated to the high court.

"It would be a factor to be considered in any decision," Mr. Mitchell, Democrat of Maine, said when asked in a television interview if he might step down as majority leader.

"I am very strongly committed to enacting of a health-care reform bill this year as well as a crime bill and a welfare reform and campaign finance reform bill," he said.

"We have a very heavy and busy legislative agenda ahead and these are matters on which I have worked for many years and I want to play a role in bringing them to enactment and that will be a factor that I will consider at the time if it need be."

Mr. Mitchell said he had not been contacted by the White House about the seat being vacated by Justice Harry A. Blackmun and that he had personally made no decision.

But he indicated that he would be qualified for the job, saying that a good nominee should have knowledge of the law and the ability to reason carefully and that "experience in nonjudicial areas is probably a healthy thing."

Mr. Mitchell, 60, has served as a U.S. attorney, and for eight months as a federal judge, but has far less judicial experience than other potential candidates. He had previously announced that he would retire from the Senate at the end of this year.

The Senate minority leader, Bob Dole of Kansas, appearing on the same program, suggested that it would be better for Mr. Mitchell to step aside if he is nominated to the Supreme Court, saying it "gets a little sticky" overseeing the legislative agenda while preparing for confirmation hearings.

Mr. Mitchell was also asked about a legal technicality that bars members of Congress from offices for which they had voted pay raises. "I haven't really given it much thought," he said, noting that the White House had asked the Justice Department to provide a legal reading on the issue. (AP)



WHERE DO I SIGN? — Hillary Rodham Clinton reacting to a request for an autograph during a stopover in Muskogee, Oklahoma, to promote the administration's health-care plan.

Clinton Activates Anti-Crime Lobby Push

WASHINGTON — President Clinton and senior members of his cabinet will put on a major push this week to lobby for the crime legislation that will be at the top of lawmakers' agendas when Congress returns from Easter recess.

Fresh off a week of pushing for health-care reform in town meetings around the nation, Mr. Clinton in his weekly Saturday radio address focused almost solely on crime. "In my travels this week, people made it clear to me they expect us here in Washington to take care of one job immediately: to confront the crime and violence that are tearing our communities apart," he said. "To underscore the administration's anti-crime efforts and rebut claims he has been slow to address the crime issue, Mr. Clinton will attend a rally at the Justice Department on Monday, and on Thursday will host mayors, community leaders, police officers and others who will talk about community policing and other issues."

At the same time, the White House will continue what it calls its "leadership days," in which 50 or more congressional offices send local leaders to the White House for briefings. Other administration officials also will emphasize the issue. Education Secretary Richard W. Riley, for example, is expected to give a major speech on crime in schools. (WP)

Quote/Unquote

Paul Costello, who worked for a former first lady, Rosalynn Carter, on partisan criticism leveled against Hillary Rodham Clinton: "There's a built-in sexism: A spouse should not be interfering with the duties of her husband. The Republicans will not say that right out. But the Republicans believe they have a vulnerability, and they're going to exploit it."

Thirsty Las Vegas Wants New Deal in the Water Game

By Timothy Egan

LAS VEGAS — The mirage that grew out of Bugsy Siegel's midcentury vision of showgirls and slot machines is now a metropolitan area of nearly 1 million people. But the fastest-growing American city, situated in a Mojave Desert valley that receives only four inches of rain a year, is running out of water.

So, rather than try to curb a growth rate of nearly 1,000 new residents a week, the water cars of southern Nevada have their eyes on the main artery of the American West, the Colorado River.

The river runs downhill from its source in the Rocky Mountains, but it also follows another cardinal rule: In the American West, water flows toward money and power.

Las Vegas has put forth an either-or proposition to its neighboring states: Increase the city's allocation from the Colorado River or the city will try to run more than 1,200 miles (about 2,000 kilometers) of

pipes into a network of underground basins, sucking water from more than 20,000 square miles of wilderness, ranch country and national parks.

And if the city cannot get the underground water, it would like to take a sizable amount from the Virgin River, which flows through Zion National Park in Utah, curls through the northwestern corner of Arizona and then runs into Nevada before emptying into the Colorado.

Essentially, Las Vegas is trying to change what is known as the law of the river, which is basically a seven-state pact that determines how much of the Colorado's water courses through the lives of nearly 30 million Westerners.

To ranchers upstream from Las Vegas and desert dwellers downstream, this "law" is sacred. But when the pact was put together in the 1920s, no one imagined that the desert state of Nevada, one of the hottest places on earth, could support a booming metropolis, a place made habitable by the invention of air conditioning and the siphoning of the Colorado River.

"You can't expect that this community, all these new people and all these babies and these families, are going to just go away," said Patricia Mulroy, general manager of the Southern Nevada Water Authority, the water agency for the Las Vegas metropolitan area. "The old institutions of the West have got to change."

Still, there is a minority in Las Vegas who see water as a way to rein in the explosive growth that is transforming their city. In addition, thousands of people have filed complaints against the groundwater plan and the proposed Virgin River dam, both of which could face court challenges and federal opposition.

Critics of Las Vegas's plans say that giving the city more water would be like giving a compulsive gambler another roll of silver dollars.

In the last 10 years, housing developments with names like Mariner Cove have been built around artificial lakes dug into the Nevada sand. English lawns carpet new neighborhoods in a place where

summer temperatures routinely reach 110 degrees Fahrenheit (43 centigrade).

The latest additions to the Las Vegas Strip, the tourist mecca, include a replica of the Nile River, a "Grand Canyon" with white-water rides and a moat holding giant pirate ships.

Every day, Las Vegas uses more than 300 gallons (1,100 liters) of water per capita, nearly twice the national average and almost three times that of other arid cities like Los Angeles and Tucson, Arizona.

Water officials say the data are skewed by the heavy influx of tourists, more than 22 million people a year. But, in fact, most of the area's water does not go to hotels.

"We are one of the biggest water wasters in the United States," said James Deacon, a professor of environmental studies at the University of Nevada at Las Vegas. "The main reason is because we've tried to put an Eastern landscape in the middle of the desert. This makes it extremely hard for us to ask for more water from the Colorado River."

'Defendant as Victim' Strategy Palls

Survey Shows Americans Think Jurors Are Being Duped

NEW YORK — A majority of Americans believe that the portrayal of defendants as victims as in the Bobbitt and Menendez brothers cases has gotten out of hand, according to a new survey.

The findings are contained in a poll published in the current issue of the National Law Journal. The survey of 800 people nationwide was conducted last month by Penn and Schoen Associates Inc.

The study showed that 59 percent of the respondents believe the "defendant as victim" strategy is being overused, while 30 percent instead say that many people legitimately commit crimes as a result of some suffering they have endured.

According to the poll, 51 percent said that jurors are being duped when they take into account all of the circumstances of the accused person and his or her life. On the other hand, one-third feel that jurors are doing a better job of administering justice by doing so.

"In theory, Americans are sick of the kind of 'excuse'

sism' defense lawyers are advancing in the courtroom today," the journal reported.

Of the poll respondents, 52 percent said they would have convicted Lorena Bobbitt of maliciously wounding her husband by cutting off his penis. Of those, 62 percent were men and 43 percent were women. Mrs. Bobbitt was acquitted after a jury in Manassas, Virginia, found she was temporarily insane.

In the Menendez case in Los Angeles, which the judge declared a mistrial when the jury was unable to agree, 68 percent of the respondents said they would have found the brothers guilty of murdering their parents.

The Menendez brothers, Erik, 23, and Lyle, 26, claimed they were driven to killing their wealthy parents by years of abuse.

A vast majority of poll respondents, 89 percent, said they believed the most compelling argument to excuse someone for a serious crime was a mother protecting her children from a physically abusive father.

Away From Politics

- A firmer tomato is likely to be the first genetically engineered food for direct human consumption to be approved by the U.S. government now that a federal panel has cleared the way. Approval of a tomato that can ripen longer on the vine before being picked for shipment is probable within 90 days, according to Dr. David A. Kessler, the commissioner of food and drugs.
- Occasional use of cocaine, marijuana and other drugs is no great threat to health, and the drugs are relatively easy to obtain, according to 54 percent of youths from 12 to 17 polled by the U.S. Public Health Service. Donna E. Shalala, secretary of health, called the findings "alarming."
- A man charged with serving in a Nazi unit that killed Jews and others in Latvia during World War II has been deported to Australia, the U.S. Justice Department announced. Konrad Kales, 80, of Winnetka, Illinois, and St. Petersburg, Florida, had obtained Australian citizenship in the 1950s.
- The Woodstock 25th anniversary concert is a go for Aug. 13-14, with 250,000 people expected. After months of wrangling over money matters, sanitation, environmental impact and cleanup, authorities in Saugerties, New York, finally approved the Woodstock Music and Art Fair '94.

NYT, WP, LAT, AP.

Earth View: Shuttle Tests

New Radar

CAPE CANAVERAL, Florida — Six astronauts have set out on a space shuttle mission to test an advanced radar technology that may enable people to manage the environment of their home planet better in the future — and perhaps catch some tantalizing glimpses of life in the past.

The shuttle Endeavour, carrying a \$366 million Space Radar Laboratory, went into orbit Saturday.

On the nine-day flight, the astronauts are to put the Endeavour through 460 maneuvers, more than on any previous mission, to point the radar at a variety of landscapes and seascapes. Scientists want to see how well the technology can map different terrains and distinguish between natural and human-induced environmental changes.

The mission's primary radar targets include mountains in Europe and South America, ocean currents and wetlands, forests, farmlands and deserts. By penetrating the dry sands, the radar may also be able to chart the former course of the Nile River in antiquity, survey a buried "lost city" on the Arabian Peninsula and discover ruins along the old Silk Road in Western China.

Diane L. Evans, a geologist and the project's chief scientist at the Jet Propulsion Laboratory, said the system should provide a detailed "look at the planet in a way that's never before been possible."

Mrs. Clinton's Futures Adviser Placed Her Trades

By Sharon LaFraniere and Charles R. Babcock

Washington Post Service

WASHINGTON — The White House has acknowledged that James B. Blair, an Arkansas lawyer, placed most of the orders for the trades of cattle futures that earned Hillary Rodham Clinton nearly \$100,000 profit in the late 1970s.

A White House official continued to maintain that Mrs. Clinton made her own decisions on how to trade. But he said she had discussed them with Mr. Blair, who would then pass an order on to the broker, even though the broker was only supposed to take orders from Mrs. Clinton.

Previously, the White House described Mr. Blair as simply an important adviser but had not explained how Mrs. Clinton carried out her trading.

During most of the 10 months Mrs. Clinton traded cattle futures, Mr. Blair was outside counsel for Tyson Foods Co., Arkansas' biggest employer, and she was the governor's wife. Although she made a huge profit on her \$1,000 investment, she was not a passionate trader who kept up with every move of the market. Mr. Blair was.

According to his testimony in a lawsuit against the commodity brokerage firm of Ray E. Friedman & Co., known as Refco, Mr. Blair kept a special computer devoted to analyzing and charting market averages over four-day, nine-day and 18-day periods. He had a "quote" machine in the back of his desk that enabled him to watch the market "tick by tick."

Mr. Blair also was privy to a daily 2:30 P.M. conference call broadcast over the speaker phone at Refco's office in Springdale, Ar-

kansas. On the line were major figures in the cattle business: buyers, feedlot operators, a Chicago pit trader, Refco brokers and sometimes the Refco president, Thomas Dittmer.

Mr. Blair had good reason to keep up. He risked huge sums, making as much as \$315,000 in one day and hoping to clear \$2 million the next, he testified. He claimed in a lawsuit against Refco that his family ultimately lost \$15 million.

Like other customers, Mr. Blair claimed that Mr. Dittmer had tricked his brokers into making trades that manipulated cattle prices for his own benefit, allegations that Mr. Dittmer has denied.

According to the White House official, Mr. Blair passed on trade orders for about a dozen other people besides Mrs. Clinton, including members of his family. The fact that he was allowed to do so re-

flects the loose attitude of the Springdale office and its head broker, Robert L. (Red) Bone, about the trading rules.

Mr. Bone was disciplined for violations three times — in 1977, 1979 and 1981 — by the Chicago Mercantile Exchange, and the Commodity Futures Trading Commission.

Because Mrs. Clinton was the only one authorized to trade her account, Mr. Bone technically violated trading regulations by taking her orders from Mr. Blair, according to Leo Melamed, former chairman of the Chicago Mercantile Exchange. Mr. Melamed reviewed Mrs. Clinton's trading records at the request of the White House.

that Mrs. Clinton "did her own trading" in the commodities markets in the 1970s, but it stopped short of denying that an adviser placed most of the orders. Reuters reported from Washington.

A White House official, asked whether Mr. Blair placed most of Mrs. Clinton's orders, said: "I'm not denying it. I'm not saying he didn't or he did."

"Mrs. Clinton did her own trading," the official added. "If there was any type of technical violation in this trading process, it was done by the broker."

White House Response

The White House said Sunday

Navy Going by the Book on Sexual Harassment

By Eric Schmitt

New York Times Service

WASHINGTON — With its penchant for by-the-book precision, the military has manuals for just about everything. Now, the U.S. Navy has a new manual on how to recognize, prevent and deal with sexual harassment.

Titled "Commander's Handbook — A Tool Kit for Prevention of Sexual Harassment," the manual defines the problem, tells how to handle complaints and holds commanders responsible for eliminating harassment. The navy will distribute the manuals by early fall.

Much of the 64-page handbook, with lengthy attachments and sample cases, is a summary of orders and memorandums navy leaders have issued since the bawdy weekend of the Tail-

hook convention of naval aviators in Las Vegas in 1991.

Using these new orders and regulations, the navy has dismissed 89 officers and sailors for sexual harassment since 1992. But even the navy acknowledges that the results have been mixed at best.

Officials are hoping that the mere existence of the manual will be regarded as a sign of seriousness.

But here the military faces an issue etched in shades of gray, demanding subjective judgments and interpretations. "When I go to the field, a lot of people still don't know what we mean by sexual harassment," said Rear Admiral Paul E. Tobin Jr., head of the navy's office for what it describes as personal readiness and

community support. "We're trying to make sure they know where the line is."

Senior navy officials say the release of the manual coincides with increased sensitivity training and stricter punishment for offenders to hammer home the service's "zero-tolerance" message. But lawmakers and independent experts say the tolerance has not yet dropped that far in practice.

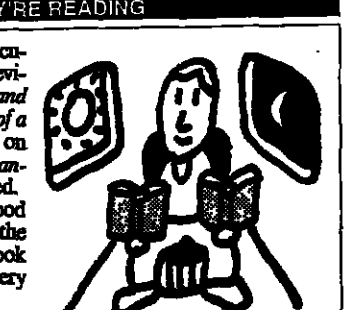
"The navy has taken some positive action, but it really needs to look more at enforcing these new rules," said Wilma D. Powell, chairman of the Defense Advisory Committee on Women in the Services, an independent advisory panel to the secretary of defense. "You can have all sorts of rules and regulations," she said, "but if they're not enforced, it's a waste."

BOOKS

WHAT THEY'RE READING

• Christopher Irwin, chief executive of BBC World Service Television, is reading "Managing Brand Equity: Capitalizing on the Value of a Brand Name" by David Aaker on the train home and "The Night Manager" by John Le Carré before bed.

"The first book gives me good jargon to pin on ideas I have in the back of my mind. The Le Carré book is intense and complex but very compelling." (Erik Ipsen, IHT)



She offers three sorts of answers to account for how an ordinary man being becomes a "rescuer self," a sort of doppelgänger who allows "people to do things that—in retrospect — seem unbelievable." First, conditions have to be right. "Our case studies illustrate that only when a person, with feelings of responsibility, was in a situation that provided necessary resources was it possible to act." Yes, well. There is a yawning gap between such anodyne palaver and the insane sangfroid of a Polish teenager who single-handedly cared for 13 Jews at the behest of inner voices.

Second, motivations. There were those who rescued under the sign of morality. Others rescued because they were Judeophiles, either through personal conviction or religious conviction; or because they were part of a resistance network. Again, true enough no doubt. But adducing a belief in the duty of Christian charity does not go a long way toward explaining, for example, why the profoundly anti-Semitic Father Falowski risked his life to take in a skeletal, lice-infested Jewish boy shivering in the cold.

Finally, we are offered psychoanalytic or social-psychological explanations. Set beside the stories of rescue and suffering, these are almost unbearably trite: Eighty-nine percent had an altruistic role model, or "as children most rescuers felt not only loved but protected."

Fogelman has made a major contribution to Holocaust studies in collecting these accounts of conscience and courage, ranging from the less well-known stories to those of Oskar Schindler, Raoul Wallenberg and Miep Gies. But her social-psychologist self argues against the grain of her own evidence, which

shows that any explanations she offers are hopeless. At this level, good is as banal as evil. And even if doing good is not a random event, it remains a profoundly unpredictable one. Most of us who have read Anne Frank's "Diary of a Young Girl" will wonder what we would have done in a similar situation, and we know ourselves at least as well as any psychologist might.

This is not to say that the acts of kindness and compassion recalled here cannot be explained but rather that the extraordinary stories in this book must be read each for itself. Goodness rests in particulars. Thus, plumbing the depths of an Alexander Roslan means understanding his story, not assimilating him into the platitudes of social conscience as we know it.

Tom Laqueur, who teaches cultural history at the University of California, Berkeley, wrote this for The Washington Post.

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CONSCIENCE AND COURAGE: Rescuers of Jews During the Holocaust

By Eva Fogelman. 416 pages. \$24. Doubleday.

Reviewed by Tom Laqueur

MOVED by curiosity, Alexander Roslan sneaked into the Warsaw Ghetto early one morning before the night's harvest of dead, zemachted, fly-covered children's bodies had been removed. He was sickened by what he saw. He gave some bread to the living who desperately begged it from him, fully aware of the futility of his gesture.

Some time later, Roslan, a Polish

black marketer, told a friend that he would harbor a Jewish child, preferably not a boy whose circumcision would easily give him away. He ended up with Jacob Gutgold, whose Jewishness was writ large upon his face, never mind his private parts.

When a neighbor tipped off the Gestapo that the Roslans were harboring a Jew, Jacob spent seven hours in a kitchen cupboard while Alex's children made distracting noises and he entertained the Nazis with enough alcohol to make them neglect their duties. They returned. Had Jacob been found he would of course have been instantly shot and the entire Roslan family hanged in public as a warning to others. Alex transported Jacob to the family's

new, far less visible home outside of Warsaw in a hollowed-out couch above a moving van.

Over the strenuous objections of

his wife, Alex took another Jewish boy into hiding: Sholem, a 9-year-old in precarious health from having spent several months, dawn to dusk, hiding prone on a rooftop after his parents had been murdered in an "action." Sholem contracted scarlet fever and infected Alex's son, Jurek. The Jewish boy of course could not go to hospital, but Jurek went and saved his medicine, which his father then brought back to Sholem. The boy died nevertheless and Alex buried him with what decency he could in a basement.

Next Jacob became seriously ill with a fever that threatened his brain. With the terror of betrayal in his heart, Alex approached a doctor who offered to operate gratis, but said that he needed 10,000 zlotys to bribe his assistants. Alex sold his house in the suburbs. The war ended; Jacob survived; Alex's own son, Jurek, did not, felled by a bullet as he went outside to fetch water during the Warsaw uprising.

Why, asks Eva Fogelman, whose father was saved by the likes of her subjects, did Alex or any of the other 300 men, women and children in her book, become rescuers?

BRIDGE

By Alan Truscott

IT is likely that two New Zealanders form the best young partnership in the world and are headed for international distinction. They are 21-year-old Ishmael Del'Monte, and 20-year-old Ashley Bach, who are known Down Under as "Ish" and "Ash".

They scored convincing victories in the main pair and team events at the Australian national championships at Surfer's Paradise on Queensland's Gold Coast. Del'Monte had achieved the same double a year earlier with a different partner.

They won the pairs title by an overwhelming margin and were aided by the disgraced grand. Few pairs would reach good seven-spade contract, which took sophisticated bidding following the opening two no-trump bid.

Three clubs was Puppet Stayman, so the three-spade rebid showed a five-card suit. Four no-trump was Roman Key-Card Blackwood, accepting spades as the trump suit, and South showed four keys cards and subsequently the trump queen and the club king. North might have plunged at this point but issued a grand slam invitation with six hearts, and South accepted on the strength of his spade jack.

West led a trump, and "Ish" as South won in his hand and played clubs, ruffing the third round with dummy's spade ten. He could no longer play to establish the diamond play to establish the diamond play since he lacked a side entry to the dummy, so he drew trumps and cashed the heart ace. When he then took his two remaining trumps, West could not stand the pressure. Whether he dis-

carded the heart king or unguarded diamonds, the grand slam was home.

NORTH
♠ 10 7 2
♥ Q 8 2
♦ K Q 10 9 4
♣ A 3

WEST
♠ 8 6
♥ K 9
♦ J 8 7 6 2
♣ J 8 7 2

EAST
♠ A 5 4
♥ 10 7 6 4
♦ 10 8 4
♣ A 10 8 4

SOUTH (D)
♠ A K Q J 3
♥ A 5 3
♦ A 5 3
♣ A 5 3

North and South were vulnerable

The bidding:
N.T. Pass 3 4 Pass
3 4 Pass 4 N.T. Pass
5 6 Pass 6 7 Pass
7 8 Pass 8 9 Pass

West led the spade eight.

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Herald International Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

Exporting Labor Standards

Labor standards are now on the agenda for future world trade talks, at the insistence of the United States. In terms of Washington politics, the Clinton administration is blowing a kiss to unions that are still sore about the free trade agreement with Mexico. But it is going to change the character of trade diplomacy.

With the expansion of world trade, it is both desirable and inevitable that social issues should be taken up explicitly in these talks. But it will not be free of friction. Although the United States swears that it has nothing of the sort in mind, most of the developing countries suspect that this new attention to labor conditions will become merely a veil for a new style of protectionism to keep their low-wage products from competing in high-wage countries.

Most of the world's governments, after years of work, managed to agree last December on a substantial expansion of the world's trading rules. This effort, known as the Uruguay Round of talks, will establish a new World Trade Organization to administer these rules, and the preparatory committee begins work next week. It has announced that it will take up what Mr. Kantor, the chief American negotiator, calls "the issue of the intersection between trade and international labor standards."

are in fact recognized chiefly by high-wage democracies. Unions and some of the politicians there want a weapon against not only goods made with child labor and forced labor but also goods made by poorly paid labor in general, and goods from authoritarian countries that do not permit labor to organize.

Mr. Kantor says the Clinton administration's purposes are entirely different—to use trade as a mighty lever to lift social and political conditions abroad. It is wrong to think, he argued the other day, that economic development alone will automatically improve the lives of working people. That does not happen without a struggle because "social justice, market economies and democracy are all linked."

Trying to use trade as a tool to advance democracy abroad is a noble idea, very much in the American missionary tradition. But it turns these negotiations into a threat to all governments that are less than democratic. Until now India, fearing for its exports, has been the most articulate opponent of bringing labor standards into the trade talks. But India is a democracy. There is an even bigger country that is not—a country whose exports to the United States are growing fast. Deliberately or not, the Clinton administration is widening its dispute over human rights with China.

—THE WASHINGTON POST.

Groping Forward in Japan

In just eight months as prime minister, Morihiro Hosokawa brought deep and irreversible changes to Japan's politics. In the end, sadly, he was undercut by the same kind of financial scandal against which he had earlier been the symbol of protest. But before that happened he forced the passage of legislation that will dramatically improve the conduct of Japanese elections, not least by curbing the excessive role of corporate contributions. The first prime minister in nearly four decades not to belong to the center-right Liberal Democratic Party, he marked the end of its long dominance.

The causes of this upheaval have not been entirely homegrown. Like many other countries, Japan is now searching for new political directions in a new world. With the end of Soviet-American tensions that induced voters in many places to endure financial corruption as the price of stability, they seem to have decided that they can do with less of both.

After World War II the major defeated countries—Germany, Italy and Japan—all reacted similarly. Each put its politics into a kind of trusteeship, under prudent and reliable men in dark suits, while the rest of the population went about the important business of getting rich. The pressures on Germany, with its long border on the Iron Curtain and a quarter of its people on the other side, led to

the collapse of the trusteeship there in the middle 1960s and a return to multiparty politics with alternations of power. But in Japan and Italy the trusteeships persisted, dominated in each case by one big conservative party and accompanied in recent years by an explosion of graft and payola. The same people had been in office too long. Now the voters in both countries have expressed a sweeping revulsion, and suddenly there is great turbulence and uncertainty in places where, for decades, there was stability to a fault.

For Americans, anxious to get on with their trade complaints against Japan, that is going to be exasperating. For some time to come there may be no one at the top in Tokyo capable of imposing much change on trade policy. The vacuum in Tokyo will be much more consequential for the United States than the similar one in Rome. Not only is the Japanese economy three times as big as Italy's, but Italy long since turned over most of its trade and economic policy to the European Union in Brussels. For the Japanese, relations with the United States will doubtless remain a great concern. But their top priority now is to work out a new and more open style of democracy for a generation of voters who, until last summer, knew only the one-party kind.

—THE WASHINGTON POST.

No to Torture in Singapore

If people were cowed for vandalism in New York, would New Yorkers have a safer city? That seems to be the conclusion from the talk shows, public opinion surveys and letters to editors across the United States. Michael Fay, the 18-year-old American who has been sentenced to a caning in Singapore, is not doing well in the polls.

At his hometown paper, the Dayton Daily News in Ohio, the calls and letters are running 2 to 1 in favor of inflicting this form of torture. And the Singapore government is pointing to American public opinion as vindication for its uncompromising policy. The comparison is made again and again: Singapore and New York, clean streets versus dirty ones, safety versus muggings, order versus chaos. Clearly Mr. Fay's predicament has touched an American nerve. For many who envy Singapore's orderly, clean society, who are tired of the dirt and danger of U.S. cities, the threat of pain and humiliation for transgressors seems worth the price. Japan, however, is also an orderly and relatively safe society; its order is not paid for with the fear of torture. Neither is Australia's. On the other hand, Brazil, whose police shoot vagrant children for picking pockets, has not made its streets any safer.

Perhaps the general callousness about what Mr. Fay is facing may be related to the nature of his punishment. Maybe, because it is directed at the buttocks, it resembles too closely the childhood spankings or fraternity hazing

that many Americans remember with something bordering on nostalgia. It is hard for many people to imagine such a procedure causing the recipient to pass out, go into shock or sustain permanent scarring.

Many Americans believe reasonably that visitors to another country should try to conform to local customs and laws, and should be prepared to suffer the customary punishment for flouting them. But Mr. Fay's lawyers argue that caning has never been used in Singapore to punish vandalism of private property. Mr. Fay is being singled out, they say, and his American detractors are simply helping Singapore score propaganda points.

Whatever the case, it is disheartening to watch Americans, in their yearning for order, endorsing medieval torture for an act of adolescent mischief. It is time for Americans appalled by Mr. Fay's sentence to raise their voices in protest. American corporations—like General Motors, Eastman Kodak, Dow Chemical or Texas Instruments—that trade with Singapore should lean on President Ong Teng Cheong for clemency. It is also time for people concerned about Mr. Fay to flood the Singapore Embassy with phone calls. The number in Washington is (202) 537-3100. America, the land that led the world in decrying cruel and unusual punishment, must demonstrate that order bought with torture is never worth the price—at home or abroad.

—THE NEW YORK TIMES.

Other Comment

Korean Opportunity for China

There is a way out for China that would give it a nuclear-free Korea and still bait the Americans. Instead of resisting sanctions on North Korea, it could threaten to impose them. True, the threat might have to be carried out, if Kim Il Sung is determined to go it alone, and that would bring the risk of North Korea's collapse. But threats may be the only way of getting North Korea out of the bomb business. America would hate to see China take credit for solving Asia's biggest security problem. China, meanwhile, would for once have proved itself the greater power for Asia to reckon with. Masterful, and masterly.

—The Economist (London).

Tokyo Has a Promise to Keep

Prime Minister Morihiro Hosokawa's sudden decision to resign should not be used by Tokyo as an excuse to back away from his promise to have a package of measures to open Japan's markets soon. The need to fulfill that promise is more pressing than ever as the world, not just the United States, watches. Reformist Hosokawa unfortunately fell short in delivering bombshell changes during his eight months in office, but he did manage to set Japan on a course of change, politically and economically. A slide back to the status quo could further derail U.S.-Japanese efforts to create a new framework for trade.

—Los Angeles Times.

Old Communists Fear a Chinese Voice for Democracy

By Jim Hoagland

WASHINGTON—Who is Wei Jingsheng and why is China's very old Old Guard willing to gamble a big chunk of the \$23 billion trade surplus that their country will run this year with America to keep Mr. Wei from speaking his mind? These are the questions raised by China's determined pursuit and persecution of Mr. Wei since Secretary of State Warren Christopher went to Beijing last month and urged Deng Xiaoping's government to ease up on human rights abuses—after which the government hounded Mr. Wei even more relentlessly.

The Chinese behavior is indecent. More to the point, it is not very smart. It corners Mr. Christopher, who must make the key recommendation to President Bill Clinton before June 3 on renewing China's most-favored-nation trading access to the American market. It is inconceivable that Mr. Christopher would recommend extending most-favored status if the Chinese treat Mr. Wei and other dissidents worse as a result of his trip.

Deng and Company must believe that they have something substantial to fear from Mr. Wei. Can his power be terrifying enough to justify deliberately embarrassing an American secretary of state, forgoing special trade advantages and putting Beijing's economic allies in the American business community on the spot by abusing a solitary, nonviolent advocate of democracy?

It is the force of the idea that Mr. Wei embodies which rattles the Beijing Communists to the point of cutting off their collective nose to spite their collective face. He has their number, and especially Mr. Deng's. Letting him speak freely would show them to be the frauds they are.

Mr. Wei, a former Red Guard, was working as an electrician at the Beijing zoological garden in November 1978 when posters appealing for democratic reforms appeared on a wall near the Forbidden City. This became Democracy Wall, indirectly encouraged by Mr. Deng's promises to undo the radical excesses of Mao Zedong and the Gang of Four.

Mr. Deng had launched China on the post-Mao path he called the Four Modernizations: industry, science and technology, agriculture, and military affairs. Specific targets were set in each area for sustained national growth that would "propel China yet again toward the modern age," the historian Jonathan D. Spence writes in "The Gate of Heavenly Peace."

Mr. Wei's original sin was to take Mr. Deng at his word. On Dec. 15, 1978, he authored a wall poster entitled "The Fifth Modernization." The four changes proposed by Mr. Deng would produce nothing lasting unless they were accompa-

nied by political modernization—by democracy, Mr. Wei wrote, signing his name and address.

He published a magazine exploring this theme until he was arrested in May 1979. The prosecutor called him "the scum of the nation" and ignored the dissident's assurance that the Fifth Modernization was aimed at "making China rich and powerful." The court sentenced him to 15 years in prison on trumped-up charges of threatening China's national security.

Mr. Deng boasted in party meetings that the West, busy playing the China card against the Soviet Union, would not disrupt relations for the sake of an outspoken electrician—just as the Polish Communists banked on another electrician-dissident, Lech Walesa, disappearing. Now it is Mr. Deng who seems prepared to disrupt relations with the West because of Mr. Wei.

Released from prison last September, Mr. Wei has shown that the experience has not broken his spirit. Despite repeated threats from the government, he has continued to speak out about the need for democracy. On April 4 he was detained by police and placed under house arrest. Tong Yi, his assistant, has also been detained.

The persecution of Mr. Wei and of hundreds of other pro-democracy activists cuts the ground from under the feet of those who want Mr. Clinton to renew most-favored status. Without Mr. Clinton's authorization, China,

which is not a member of the General Agreement on Tariffs and Trade, is not eligible for the low tariffs that the status grants to America's other trading partners.

Mr. Clinton wants to extend the status and find a way to avoid fighting this battle year after year. Those sentiments are shared by all of his senior aides. But they concede that if the decision had to be made today, in the wake of China's thumb-in-the-eye treatment of Mr. Christopher and persecution of Mr. Wei, the president would revoke the trade privilege for Beijing, either partially or wholly.

Mr. Deng seems intent on proving Wei Jingsheng right once again. Shortly after his release, Mr. Wei said that U.S. attempts to find a reasonable compromise on human rights would not work with Mr. Deng. He cited Aesop's fable about the ill-advised lamb that tried to account with the wolf. "I'm afraid any attempt to use reason and logic will prove abortive," he said. "It is not that the wolf does not understand reason. It is that he isn't interested."

Does Mr. Deng hate Mr. Wei and his outspoken ways more than he values low-tariff trade with America? It is hard to believe. But it is even harder to believe otherwise if you look at the evidence. This wolf would rather have his meal than listen to reason.

The Washington Post.

Central Africa's Nightmare Makes Help All the More Necessary

By Clifton R. Wharton Jr.

NEW YORK—The neighboring African countries of Rwanda and Burundi have been plunged into unimaginable anarchy and bloodshed. Last week's violence—the plane crash that killed the two national presidents, the police and army rampage that killed more than 1,000 people in Kigali, the Rwandan capital—was only the latest convulsion in decades of ethnic warfare. Relief agencies estimate that 100,000 people have died in Burundi since October.

The death of Burundi's president, Cyprien Ntaryamira, who was returning from a peace conference in Tanzania when his plane was reportedly shot down, brought back a vivid memory of my meeting with his predecessor, Melchior Ndadaye, in Washington on Oct. 7. It also recalled troubling questions about how the West often views the prospects for "democracy" in countries such as Burundi.

At 40, Mr. Ndadaye was his country's first Hutu leader, despite the overwhelming majority (about 85 percent) of his ethnic group in the population. He was also the first democratically elected head of state in Burundi. He envisioned Burundi as a multiethnic nation in which the long bloody rivalries of the Hutu and Tutsi peoples would be set aside.

He came to meet with State Department officials. As he outlined his plans for Burundi, I could not help but be taken by his youthful vigor and commitment.

He had been moving decisively since his election in June, taking firm steps to strengthen the fledgling democratic transition. He had renounced revenge and was creating a govern-

ment of reconciliation—by including prominent Tutsis in his cabinet, freeing most political prisoners and allowing the return of exiled dissidents from both ethnic groups.

Enormous tasks faced him. His nation had known nothing but a tangled history of tribal conflict, European colonialism, monarchy and military rule. He had begun to plan the costly repatriation of refugees—perhaps 200,000 people. (He himself had spent 11 years in exile in Rwanda.) He had to build democratic institu-

tions from the ground floor—an undertaking requiring parliamentary training, civic education and the strengthening of nongovernmental organizations. The challenge was to adapt these institutions to the unique circumstances of his country rather than merely clone a Western model.

And he had to address Burundi's all-consuming economic progress so crucial to stability. Mr. Ndadaye knew that it would require more than foreign aid, and thus he also met with American business leaders, hoping to interest them in trade and investment.

I left our meeting with admiration for his aspirations and determination. Two weeks later he was dead, assassinated on his return in a coup attempt by Tutsi members of the military. His death, and now that of Mr. Ntaryamira, have fueled more ethnic slaughter and spurred the exodus of as many as a million Hutus to neighboring countries, where many face starvation.

But the tragedy is wider than that. What has happened in Burundi and Rwanda may reinforce a widely held view in the West that democratic roots simply will not sprout in some African countries, which are often seen as hybrid political creations throwing to-

gether tribes and cultures whose only common heritage, unless held in check by a brutal dictatorship, is warfare against one another.

There may be some truth to this view—but it does not apply only to Africa. Ancient hatreds and a lack of democratic traditions also lie behind the struggle in several former Soviet republics and of course in Bosnia. Africa's smaller nations continue their bloodshed and turmoil largely out of sight, often considered a lost cause.

Mr. Ndadaye knew what he was up against. He was no innocent who believed that his election would resolve bitter history overnight. He knew that reconciliation was fundamental to his governmental and social reforms, even while he sought international support and economic stability.

That he failed must not be taken as proof that Burundi is impervious to reform. It is another signal to the West that we cannot push democracy faster than it can be assimilated.

Africa's most populous nation, Nigeria, remains a vivid example of this point. Reports last week about a global Nigerian drug trafficking network, run with the protection of the government, suggest that the label "democracy" cannot be used to cover up a corrupt dictatorship.

We must recognize that a single free

election does not a democracy make. In promoting democracy abroad, U.S. foreign policy must take into account the possibility—the probability—of failures like that in Burundi.

When they happen, we must continue to offer our support and the necessary financial aid, trying to ensure that it is kept out of the hands of corrupt officials and instead goes directly to the leaders and grass-roots organizations that truly make up the foundation of democracy.

We must not attempt to impose a "made in America" democratic model on other countries, especially where cultural and ethnic divisions are ancient and bloody. What works for us will not necessarily work in Burundi. Certain principles—freedom of speech and association, and the secret ballot—may be essential, but the details of the democratic process must accommodate historical reality. We must not give up. Only with the help of the free world will Burundi, Rwanda and other struggling African nations inch toward a place in a peaceful global order.

The writer, a former chairman of the board of the Rockefeller Foundation and former deputy secretary of state, contributed this comment to The New York Times.

For an International Agreement to Tame Economic Migration

By Bimal Ghosh

GENEVA—Trade officials from more than 100 countries convene in Marrakech this Tuesday for the formal signing of the final act of the Uruguay Round of multilateral trade talks. There, the major trading nations have an opportunity to offer new hope of controlling the causes of much of the world's irregular migration.

As markets in industrial countries become more open and obsolescent industries are restructured or replaced, the demand for irregular immigrant labor will fall. At the same time, increased access for labor-intensive goods in the markets of industrial countries will raise employment and income in the migrant-sending countries of Eastern Europe and the developing world.

Reckless but lucrative trafficking in irregular migrants, now flourishing in Western Europe, the United States and Japan, can be replaced by productive trade in goods and services, promoting welfare in both rich and poor countries. Ineffective or delayed application of the Uruguay Round agreements and continued protectionism would prevent this.

In the Group of Seven industrialized countries, some 23 million jobs are supported by merchandise exports, and many more by exports of services. These exports depend largely on the import demand of Eastern Europe and migrant-sending developing countries. In 1991 and 1992, U.S. exports to Latin America, the Middle East and China grew at 10 times the rate of increase to Western Europe. The European Union's exports to these

markets increased by 13 percent. Protectionist lobbies need to be reminded that a much larger share of EU exports now goes to developing countries than to North America and Japan together. And these countries have the largest reserves of unfulfilled demand—a vast potential market for the industrial countries to tap.

Neither the developing countries nor Eastern Europe will be able to sustain such demand unless they can earn enough foreign exchange through their own exports. Trade protectionism would thus cause job and income losses to spiral everywhere. Increased emigration pressure in the developing countries and in Eastern Europe, and more blatant forms of xenophobia in the receiving industrial countries, would result.

The Uruguay Round agreements will not benefit all migrant-sending countries uniformly. Food-importing countries will lose, due to higher food prices, and countries receiving trade preferences in industrial-country markets will see the value of their preferences fall as tariffs are lowered. This will include nearly all of Africa and the Caribbean. Most of these countries will need—and deserve—aid in other forms. With an estimated annual gain of more than \$240 billion in a decade as a result of the Uruguay Round agreements, the world economy can surely be expected to afford such aid.

Trade by itself is not a perfect substitute for economic migration. Nor is foreign direct investment or aid. So long as there are wage and income disparities between countries, migration will remain a balancing force. These disparities cannot be erased overnight.

A recent estimate for a group of migrant-sending countries in Eastern Europe and North Africa finds that a growth rate of 6 to 8 percent will be needed to raise their per capita GNP to the level of France in 50 years. By current growth predictions, it will take 35 years for incomes in Eastern Europe to reach half the average of industrial countries.

The limits to the potential of foreign direct investment are also clear. Just to replace current remittances from its workers abroad, a migrant-sending country like Bangladesh would have needed \$3.1 billion—100 times the amount of foreign direct investment it received in 1989. The Philippines would have needed 10 times and Morocco about five times their real investment inflows in recent years.

But trade, aid and investment can be molded into a coherent policy of economic cooperation to make migration more manageable and productive. To do so, nations will need to negotiate—building on the potential of the Uruguay Round accords for freer movement of goods, services and eventually capital—a new international migration agreement.

The new agreement should encourage labor-surplus countries to adopt broad-based development strategies, with emphasis on job creation, demographic planning and human

resource development. To ensure the success of these strategies, the migrant-receiving industrial countries must modify their trade, aid and investment policies. These changes must include planned assistance for restructuring wasteful, noncompetitive industries that depend on irregular immigrant labor.

The agreement should provide guidelines to create specific outlets for legal and orderly migration, matching the needs and conditions of both labor-surplus and capital-rich countries. In addition to admissions on family and other humanitarian grounds, demographic and labor-market needs, including short-term movements of personnel for trade in services, should be covered flexibly and harmoniously.

The new agreement must encourage increased support for those migrants who are willing or even anxious to return, ensuring their smooth reintegration as productive and useful citizens in their countries of origin.

By enhancing the predictability of the international migration system the new agreement would reduce the capacity of the states to respond to a full range of migration situations. It will, hopefully, put an end to the growing fear that movements of people might get out of control.

The writer, senior consultant to the International Organization for Migration, has just completed a study on global migration and development, jointly commissioned by the United Nations and the IOM. He contributed this comment to The International Herald Tribune.

America's Upstarts in Uniform Should Go Quietly Back to Base

By Richard H. Kohn

CHAPEL HILL, North Carolina—The U.S. military is now more alienated from its civilian leadership than at any time in American history, and more vocal about it.

The current dispute between the White House and top military officials over the use of force in Bosnia is only the latest in a long line of open disagreements that have sometimes crossed the line into outright insults. Last year a two-star general was retired from the air force for publicly disparaging President Bill Clinton. The chief of staff felt obliged to demand in public that people in his service show the president proper respect.

At the army's elite Command and General Staff College, a respected congressman was greeted by catcalls at the mention of the president.

When Americans think about civilian control of the military, concern about a coup always lurks in the background. But that has never really been a serious threat. The military does obey orders, and civilians do make the key decisions. But beneath the surface is a continual struggle for influence, as the military strives for the autonomy it needs to accomplish its tasks and the civilians seek to impose policies to meet national needs and advance their own agendas.

Because so much depends on current personalities and issues, a proper relationship between civilian and military leaders is hard to define. Sometimes the line is clear, as when Douglas MacArthur tried to overturn the limits that the Truman administration imposed on the Korean War. At other times it is murky. But most people can sense when the balance is awry.

Colin Powell, during his tenure as chairman of the Joint Chiefs, used the swollen power added to the office by Congress in 1986 and the political skill acquired in two decades in Washing-

ton's wars to steer his own vision of a post-Cold War military establishment through the executive branch and Congress. He became the chief link between civilian and military during the Gulf War, and he did his best to isolate one from the other, subordinating policy to military means and preventing the Bush administration from rushing into combat before first assembling overwhelming force.

He and the chiefs became virtually the arbiters of intervention in Bosnia and Somalia. During his last year in office, General Powell spoke out publicly on foreign policy quite beyond the American tradition of military abstention from politics. On homosexual service, he and the other chiefs, in alliance with key members of Congress, took full advantage of a new young president with weak authority in military affairs to force the "Don't ask, don't tell" compromise on the incoming administration.

Much of the military's expanded influence during the last two generations has stemmed from inattention or abdication on the part of civilians in the White House and the Pentagon, or from battles between Congress and the president that allowed the military to pursue its own ends.

During the Cold War, the military came to see itself as separate in society, with its own needs and interests—adept at using the media, maneuvering inside the bureaucracy, playing off the administration and Congress, and pronouncing publicly on issues of war, peace and policy. Mr. Clinton and his generation of senior military leadership may not be able to repair the damage, but they must try.

The White House should stop treating the military like a political constituency, to be wooed or "dealt with," and more like a trusted family doctor: to be respected, the advice pondered—and checked against second opinions—and the recommendations accepted or rejected with full appreciation of the risk.

The military should withdraw into personal and professional neutrality, abandoning participation in public debate about foreign and military policy. It should resist the temptation to build alliances with lawmakers and the public for more military spending, or to maneuver in the bureaucracy to outwit civilian direction.

The officer corps must come to terms with a much smaller role in American society—perhaps with being marginal again, as before 1940, and certainly with being unequivocally nonpartisan.

Officers need to remind themselves that peace and demobilization were the goals of the Cold War, and that suspicion of the brass, even disagreement, has been central to America's political heritage. They need to grapple with the fact that their predecessors, who had not only to educate civilian decision makers but also to swallow direction from leaders who were sometimes uninformed, misguided, capricious or even contemptible.

It will fall to William Perry, the secretary of defense, to rebuild the relationship. He will have to undertake a concerted campaign to reassert civilian control—first by having the secretaries of the services take back the authority that has migrated to the uniformed staffs in the Pentagon, and second by making sure that the next generation of generals recognize the problem and will help to restore some trust between the two sides.

He has made a good start by consulting the Joint Chiefs on Bosnia, and then telling them that their public statements on the subject were no longer needed—or appreciated. Now he needs to make some tough choices on service roles and missions; on the balance between readiness, modernization and the size of the force; and on weapons procurement.

The chiefs value firm leadership. Mr. Perry must assure that their replacements, due for appointment this year and next, will offer unvarnished advice without regard for personal or institutional aggrandizement, then lead their services in loyally supporting whatever course is chosen.

Most important, civil-military relations need to be discussed and taught at every level of military education.

The Republic is not in immediate danger. But a consciously separate military participating actively in policy and national debate can only erode American democracy.

The writer, chairman of the Curriculum in Peace, War and Defense at the University of North Carolina, was the air force's chief historian from 1981 to 1991. This article was adapted for The New York Times from one in the current issue of The National Interest.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1894: Loss to the Pope

ROME—The Pope has just had the misfortune to lose his confessor, Father de Bassano, who belonged to the Order of the Franciscans. This order has for a long time past had the privilege of furnishing the preachers to the Pope during Lent. His Holiness was always present at their sermons. As regards his confessor, the Pope chose him as he pleased. The confessor of the Pope was formerly a power at the Vatican, and the various Courts and Ambassadors tried to take advantage of the influence he exercised on the conscience of His Holiness. This, however, did not hold good of the confessor of Leo XIII, who lived in such obscurity that most people only learned of his name on hearing of his death.

are now disputing the power that Opposition movements are reported almost everywhere in Bavaria. All the country people are against the Republic of Councils and in various cities in which it has been proclaimed the population generally appears hostile. The attempt was made to declare a Republic of Soviets at Nuremberg, but failed, as it did also at Ingolstadt, Würzburg, Bayreuth and Erlangen.

1944: Policy Defended

WASHINGTON—[From our New York edition:] Secretary of State Cordell Hull, in a definitive speech, swinging criticism that the United States has no foreign policy, revealed tonight [April 9] that the Roosevelt administration is well along with plans for establishment of an international organization to maintain peace and prevent aggression and for economic and other co-operative agreements to sustain America's position as a working partner with the free nations of the world.

1919: Soviets Opposed

BALE—In Bavaria the declaration of a Republic of Soviets has roused great opposition; two governments

International Herald Tribune
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S.A. au capital de 1,200,000 F. RCS Nanterre B 73202126. Commission Paritaire No. 61337
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Q&A: Beijing Must Cooperate if It Wants to Join GATT

Trade ministers of 121 nations gather in Marrakech, Morocco, this week to sign the Uruguay Round treaty of the General Agreement on Tariffs and Trade. Peter Sutherland, the director-general of GATT, who helped push through the agreement, spoke with Alan Friedman of the International Herald Tribune.

Q. The signing of GATT on April 15 finalizes the world's biggest trade accord. What is its significance, aside from the estimated \$200 billion of income the agreement is likely to add to the world economy?

A. We were very close to the brink of failure last December, and if we had failed to agree the world would have changed irrevocably. There would have been few defenses against rising protectionism, and that would have meant political and economic conflict. The accord is a defining moment in the latter part of this century.

Q. GATT will be replaced next year by the new World Trade Organization. What role do you see for that organization in the future?

A. I believe the WTO will become what it was originally intended to be at the time of the Bretton Woods agreements, namely a part of the triumvirate of world institutions that will create initiatives for free trade, and which by developing ideas will be more than just a secretariat. I have talked with Lewis

Preston of the World Bank and Michel Camdessus of the International Monetary Fund about increasing linkages and synergies with the WTO. They are both positive about this, and also about bodies such as the Organization for Economic Cooperation and Development providing ideas on trade.

Q. Can you give an example of how you would cooperate with the IMF and World Bank at the World Trade Organization?

A. We could work together, for example, on country visits, with the WTO providing trade analysis. In one case, Egypt, we are already being funded by the World Bank to work together.

Q. Both China and Russia are applying to become members of GATT, and of the new organization. How soon will they join?

A. China has been an observer at GATT since 1982, and an applicant for membership since 1987. I have had direct communications in the last couple of weeks from Prime Minister Li Peng and he has made clear that China wants to become an original member of the WTO. The target date for the WTO to come into existence is Jan. 1, 1995. The question of whether that is feasible or not is up to the contracting parties of GATT, but we are having a constructive dialogue.

Q. Yet some Western diplomats complain about

China's refusal to disclose their quantitative trade restrictions, their quotas. Some of that fairly basic information is treated by China as a state secret. How do you get around such problems?

A. Clearly if China wishes to be a member it will have to cooperate. I will be discussing their application in May when I visit Beijing.

Q. What about the concerns some members have about China's human rights record?

A. It is the case that the negotiating positions of contracting parties to GATT may be based on issues other than trade.

Q. What about the Russian application to join? Can GATT or the WTO play a role in encouraging economic reform in Russia?

A. I think this is the view of the Russian authorities themselves, who want trade not aid. The Russians have said that joining GATT is a priority issue for them, although their application comes a long time after China's.

Q. In the last few days you helped to broker a compromise on the demands from the United States and France that workers' rights be discussed by the preparatory committee that is planning for the WTO. What can you say about workers' rights and trade?

A. Clearly the trade-labor issue was not acceptable

to a large number of countries. What I was determined to avoid was this subject becoming a matter of rancorous megaphone diplomacy between North and South.

Q. Isn't the linking of world trade and the observance of internationally recognized labor standards similar to the link between protecting the environment and trade? Hasn't the environmental link already been accepted?

A. We have had a remarkable success on the environment, but we are dealing with 120 parties and these subjects require consensus. The environment discussion took years, and it was difficult and time consuming to achieve.

Q. What do you see as the main trade challenges after Marrakech?

A. First of all we have to set up the organizational structure while the ratification process continues. It is not good enough to merely monitor trade trends. We have to develop a structure that allows us to identify policies and needs proactively.

Q. Isn't one of the main differences between GATT and the WTO that the latter will have an elaborate dispute settlement mechanism? Will that mechanism have teeth?

A. The WTO will have a dispute-solving mechanism that can take definitive decisions; it will be a very powerful mechanism. There will be real sanctions.

Bonn Hopes Strikes Help Peace Process

Reuters

BONN — Germany said Sunday that it hoped NATO air strikes launched against Bosnian Serbs for the first time in the war would persuade Serbian forces to rein in their attack on Gorazde.

Peter Vogel, a government spokesman, said Bonn hoped the air strikes, ordered to protect United Nations personnel trapped in the enclave, would help advance the peace process in Bosnia.

"The attackers of Gorazde have no one to blame but themselves for this answer from NATO, which was executed on behalf of the United Nations," Mr. Vogel said.

"The German government hopes that the attack will succeed in its aims and that attempts to seek a cease-fire in Bosnia can now continue."

Mr. Vogel added: "The govern-

ment hopes the Serb side will now cooperate."

The North Atlantic Treaty Organization has assembled the biggest collection of Western air power

since the 1991 Gulf War at bases in Italy. This includes dozens of fighters enforcing a UN ban on military flights over Bosnia, as well as ground-attack aircraft and bombers.

The United States has provided the backbone of the force from Aviano Air Base in northern Italy, but France, Britain, the Netherlands and Turkey are also taking part.

The F-16 used in Sunday's attack is one of the world's best fighter aircraft and can be equipped for a ground-attack role.

NATO threatened air strikes against Bosnian Serb forces besieging Sarajevo in February unless they withdrew their heavy weapons from around the capital within 10 days. The Serbs complied.

But later that month, NATO saw its first combat action since the alliance was founded in 1949. U.S. F-16s shot down four Bosnian Serb "Seagull" light attack planes that had violated the ban on military flights over Bosnia.

China Frees A Shanghai Dissident

Compiled by Our Staff From Dispatches

SHANGHAI — The police on Sunday released Bao Ge, whose detention along with another dissident caused a diplomatic flap during a visit by Prime Minister Edouard Balladur of France.

Mr. Bao has been ordered to stay at home, however, and plainclothes policemen are outside his front door, a family member said.

He was brought home under police escort Sunday morning after about 24 hours in detention, during which he was questioned about a letter signed by more than 50 local activists and sent to China's parliament last month. The letter demanded democratic change and an official review of the 1989 protests in Beijing, crushed by the army with heavy loss of life.

"They were very angry about the letter," the family member said.

Mr. Balladur's visit was soured by a wave of arrests of dissidents. Among them were two of the most famous dissidents, Wei Jingsheng and Xu Wenli, as well as three in Shanghai, Mr. Bao, Wang Fucheng and Yang Zhou.

Mr. Balladur left China on Sunday declaring his four-day visit, to patch up a dispute over French arms sales to Taiwan, a success.

As he flew to Shanghai on Saturday Mr. Balladur demanded an explanation about the detentions. He later said he was satisfied with the answer from Chinese authorities that Mr. Bao and Mr. Wang had not been arrested. The Chinese explanation apparently hinged on the definition of arrest.

The trip "was meant to turn a page in our relations and resume relations that are more fruitful and useful for both countries," Mr. Balladur told France-2 television. "That was my goal and I think the goal has been reached," he said.

Mr. Balladur was the first French prime minister to visit China in 16 years. Flanked by Foreign Minister Alain Juppé and Industry and External Trade Minister Gérard Longuet, his main goal was to cap a three-month process of normalization after a two-year dispute over French arms sales to Taiwan. (Reuters, AFP)

Grenade Attack in Moscow

Reuters

MOSCOW — A man was killed and more than a dozen people were wounded when a grenade was tossed from a car outside a Moscow subway station in southwest Moscow, the police said Sunday. The authorities linked the attack to rivalry between criminal groups.



A MONKISH BRAWL — A policeman, center, being beaten Sunday by dissident Buddhist monks. They stormed their order's offices in Seoul in an attempt to depose a senior monk. Two monks were hospitalized; dozens of others suffered scrapes and bruises in clashes with the police.

Yon Jai Hyung/The Associated Press

CHINA: Social Rifts Nurture Pro-Democracy Activists

Continued from Page 1

overthrow of the party can save China. It is fear of this scenario that appears to be fueling the recent wave of detentions of political dissidents, including that of the country's most prominent and outspoken activist, Wei Jingsheng.

Mr. Zhang, who is based here in Anhui Province, historically one of the poorest regions of the country, is a great admirer of Mr. Wei. In Mr. Zhang's one-room apartment, two pictures of Mr. Wei are taped on the wall next to his bed.

Bengbu is situated near the Huai River and is a critical transport hub on the rail line between Beijing and Shanghai. Its problems mirror those of many cities in China. Failing state industries in this city of 700,000 have led to rising unemployment and crime in recent years. In the surrounding villages, peasants who live in the squalor of mud huts have seen their living standards fall.

Such disaffected and disgruntled citizens are the targets of Mr. Zhang's proselytizing. He is on the road 20 days each month, traveling around the province. He regularly visits Beijing and the provincial capital of Hefei, about 100 kilometers south of here.

Because of the disapproval of

POLICY: After Strikes, Clinton Calls on Serbs to Halt Attacks on Gorazde

Continued from Page 1

that there were UN personnel in Gorazde, that an attack on the town would be interpreted as a clear violation of the rules, and it happened anyway."

The president said the latest round of Serbian attacks on Gorazde, a Muslim enclave in eastern Bosnia that had been declared a UN "safe haven," came at "quite an important point" in diplomatic efforts to end the fighting there.

He said he had great confidence in the UN commander in the region, Sir Michael Rose, a British lieutenant general, who requested the air support, and applauded the "rapid response" of UN civilian authorities in authorizing the NATO bombing runs.

Mr. Clinton said he had discussed the deteriorating situation in Gorazde on Thursday, Friday and Sunday with his top foreign policy advisers.

"I think we have to be firm," Mr. Clinton said, adding that such a stance has tended to advance peace talks.

"That's all we're trying to do, to further negotiations," the president added.

With Congress about to return from a recess, there were indications that Republican leaders were prepared to criticize White House Bosnia policy as confused and weak-kneed.

Before the Gorazde strikes, Senator Bob Dole of Kansas, the Republican leader in the Senate, referred to U.S. policy Sunday as "a little confused" and said Pentagon officials had

inadvertently given a "green light" to Serbian commanders.

Technically, the U.S. F-16s were acting on a request by UN officials in Bosnia for "close air support" as a backup for endangered UN forces on the ground. Washington had said for months that it would respond with its aircraft to protect UN forces on the ground.

Although the military circumstances were vague late Sunday, the political message to Serbian forces seemed clear: If pushed to the wall, the Western allies, representing both the United Nations and the North Atlantic Treaty Organization leadership, will take carefully circumscribed action.

U.S. policy on the civil war in the former Yugoslavia has been marked by considerable backpedaling, starting from the 1992 presidential campaign, in which Mr. Clinton called for the consideration of using air strikes at a time when President George Bush was reluctant to do so.

Since entering the White House, however, Mr. Clinton and his advisers have shown far less inclination to issue blanket threats, especially after European leaders rejected U.S. calls for air strikes and lifting the United Nations embargo on arms to the region.

After agreeing to send U.S. troops to Bosnia once an overall peace settlement was arranged, the White House began placing substantial conditions on the use of U.S. troops, chief among them being the assent of Congress.

ATTACK: U.S. Warplanes Bomb Bosnian Serbs' Positions Near Gorazde

Continued from Page 1

fighting near Gorazde decreased, another UN official said.

The latest Bosnian Serbian attack on Gorazde, which began on March 29, has left nearly 100 dead and more than 400 injured in the eastern Bosnian enclave, where some 65,000 people are trapped.

About two hours before the air strike occurred, Secretary of State Warren M. Christopher said the United States was ready to join any use of NATO air power to halt Bosnian Serbian advances around Gorazde.

If the UN commander asks for NATO air support to stop Serbian aggression, "we're going to be paying a lot of attention to that and responding," Mr. Christopher said in a television interview.

He said the United States had "an obligation and a right to respond along with its NATO colleagues."

The threat of NATO air attacks led to a cease-fire around Sarajevo in February, and there had been pressure for NATO to take similar action in Gorazde. Senior military officers, however, said air strikes would be less effective against the small-unit assault by the Serbs against Gorazde.

The French Foreign Ministry on Sunday said the intensification of the Serbian offensive in Gorazde prompts France to confirm its sup-



Bosnian Serbian soldiers marching through a wooded area on their way to positions near Gorazde.

port of any request for military pressure, including air support, that the United Nations might make.

On Saturday, Mr. Boutros Ghali ordered UN forces to use "all available means" to roll back Serbian gains around Gorazde.

Before the air strike, Mr. Chris-

topher had said he was optimistic that negotiations could bring a cease-fire to the city.

"There was a very serious discussion yesterday of a cessation of hostilities between the Serbs and the Bosnians," Mr. Christopher said. "That's not just a cease-fire, but it would mean an interposition

of UN forces between the two forces, it would mean a rollback of troops, it would mean a lifting of the heavy weapons."

Mr. Christopher said that a U.S. special envoy to Bosnia, Charles E. Redman, "thinks we may reach a cessation of hostilities within the next few days." (AP, Reuters)

Japanese to Expand Talks on Successor

Compiled by Our Staff From Dispatches

TOKYO — Japan's governing coalition, teetering on the brink of collapse, held another fruitless day of talks on Sunday aimed at agreeing on a successor to Prime Minister Morihiro Hosokawa.

Two days of negotiations have followed Mr. Hosokawa's decision on Friday to resign after eight months in office because of a loan scandal. The negotiators were scheduled to resume the talks on Monday but under new conditions.

"Discussions will continue but we want all the leaders to take part," said the government spokesman, Masayoshi Takemura, head of the New Harbinger Party.

The Socialist Party, the largest in the coalition, sided with Mr. Takemura.

"We don't think we're going to get anywhere without the real players taking part. This includes all the candidates who could replace Hosokawa," said a Socialist official in parliament.

The resignation of Mr. Hosokawa, who remains as caretaker until a successor is chosen, has sparked a power struggle within the fractious alliance, which is now polarized.

Foreign Minister Tsutomu Hata, who is also deputy prime minister, has emerged as a strong candidate backed by his own Japan Renewal

Party, the Clean Government Party and Mr. Hosokawa's Japan New Party.

Opposed to him were several other groups led by the Socialists and Mr. Takemura's party. They suspect Mr. Hata's patron, Ichiro Ozawa, of wanting to create a big conservative party and take control of the government.

Mr. Ozawa, who masterminded the coalition's creation last August, has been trailed by controversy and allegations of scandal. It is thought that he aims to form a new alliance with one or more of his former associates in the once-dominant Liberal Democratic Party and part

ways with the Socialists and his rival, Mr. Takemura.

Mr. Ozawa and Mr. Hata led a Liberal Democratic Party revolt last year after their mentor and party boss was implicated in a big pay-off scandal that eventually cost the conservatives their 38-year grip on power. The two formed the Japan Renewal Party, which now dominates the coalition, to the ire of Mr. Takemura and other party leaders.

Mr. Takemura said his party might accept Mr. Hata as prime minister but only on condition Mr. Ozawa agrees not to meddle in government. (Reuters, AP)

JAPAN: Amid a Scramble for Political Power, All Economic Bets Are Off

Continued from Page 1

plummeted more than 300 points. Then stocks slowly climbed back. The Nikkei index managed a 44.01 point gain, to 19,934.99.

Geoffrey Barker, the chief economist here with Barings Securities, said investors realized after the initial shock that the resignation might mean quick passage of this fiscal year's budget, which has been held hostage to the political squabbling that brought Mr. Hosokawa down.

It is expected that the next prime minister will make passing the budget his first order of business, and that the opposition will go along. Because the new budget includes increases in public works spending and a one-year tax reduction to stimulate fresh growth, its enactment has been eagerly awaited by the markets.

In addition, investors were initially nervous that the push to deregulate the Japanese econ-

omy might be in jeopardy under a new government. In fact, Mr. Hosokawa achieved little in this respect during his eight months in office, but he championed opening up Japanese markets to a bracing jolt of competition. In the long run, deregulation is regarded as necessary and positive by the markets.

Mr. Hosokawa's call for economic reform was so popular — because it would lower what are among the highest consumer prices in the world — that it is now expected that the next prime minister is unlikely to abandon the push. Indeed, just about every political leader these days is declaring himself an economic reformer.

"That's the Hosokawa effect," said Haruo Shimada, an economist at Keio University. "He really did have an impact on the economic agenda."

The economy is suffering from several mala-

dies that will make a rebound difficult, no matter who eventually heads the government. First, a flood of spending on new plants and new equipment during the "bubble economy" of the 1980's has left manufacturers with a large surplus of capacity.

Second, the strong yen, which the United States has encouraged as a way of forcing a reduction in Japan's yawning trade surplus, has hit exporters hard, further reducing profits and raising the prospects for increased unemployment.

And last, plummeting stock and real estate prices have crippled banks with mountains of bad loans, and many corporations have had to deal with huge losses on speculative investments. That legacy of the bubble years has made banks reluctant to lend and has stunted capital spending.

Kigali Begins to Bury Piles of Corpses

Reuters

KIGALI, Rwanda — Drunken soldiers and gangs of machete-wielding youths share the streets of this hilly Rwandan capital with piles of mutilated, rotting corpses.

Crowds of youths armed with sticks, kitchen knives, anything capable of slashing open a human body, stand solemnly in the roads.

Corpses are piled in the center of streets. Corpses are laid out in lines on the sides of roads.

Bodies are everywhere. In the compounds of luxurious villas. On the doorsteps in shantytowns.

Men and youths in jeans and T-shirts. Women in dresses and bright trackuits. Children with gruesome wounds.

Red Cross officials fear that tens of thousands of men, women and children died in three days of tribal bloodletting in this green city in the heart of Africa.

Teams of government workers in orange overalls, escorted by soldiers, began collecting the bodies on Sunday.

The soldiers were irritable and tense. The burial crews worked quickly, dumping the dead into

mass graves before disease can start to spread.

Although usually drunk, the young men in the mobs seemed to feel the pride of their killings turn to shame. They threatened visitors, who left quickly through a maze of roadblocks made from iron bars and branches.

The killing squads say their checkpoints were set up to protect their neighborhoods. But the barriers prevented the escape of the neighbors they hunted down.

Justice Minister Agnes Ntamabyirho said that many of those

killed remained hidden in homes, often with survivors too terrified to move either themselves or the dead.

Only a few blocks from the Hotel de Diplomates, where representatives of an interim government lay spread-eagled in the blood-stained dust. Horrific stab wounds marked their bodies.

Fifteen minutes later, the dead had disappeared, thrown into large trucks and driven out to a mass grave on the edge of the city, a city that had a population of 200,000 before the killings began.

Mr. Christopher said 123 Americans had been flown to Nairobi and others had crossed the border to Burundi and Zaire by truck convey.

There were a total of about 230 Americans living in Rwanda.

Mr. Christopher said that the U.S. ambassador, David Rawson, had decided against calling in the 330 Marines sent to Burundi to assist in the evacuation, so the Americans left without a military escort.

Vans picked up piles of dead bodies in Kigali to take them for burial in mass graves. Many people were killed in their homes and most Kigali residents do not dare to go out except for essential food supplies. (AP, AFP, Reuters)

had treated the day before had been killed by soldiers overnight.

"We have decided it is no use to work here any more," Mr. Bertin said. "It is useless to cure someone who is going to be killed anyway."

The report of the cease-fire came as the multinational emergency operation to pull thousands of foreigners out of Rwanda continued, with France and Belgium coordinating airlifts from a center in Nairobi.

The first group of French nationals was arriving in Paris on Sunday night, the French Foreign Ministry said, and airlifts of further French groups from Kigali to the Burundi capital, Bujumbura, continued during the day.

Eight Belgian planes left Nairobi on Sunday for Rwanda to start evacuating Belgians and other expatriates, the Belgian Embassy in Kenya said.

Two U.S. planes carrying 150 foreign national- who fled Rwanda by road, including Americans, Canadians, Belgians and Britons, arrived in Nairobi on Sunday, a spokesman of the U.S. Embassy in Kenya said. The

aircraft are to return Monday to Bujumbura to collect more foreigners.

The U.S. secretary of state, Warren M. Christopher, said Sunday that the evacuation of Americans from Rwanda was over and described the situation in the country as "very confused, very tense and very dangerous."

"As far as I know there are no Americans that are unsafe there," he said.

Mr. Christopher said 123 Americans had been flown to Nairobi and others had crossed the border to Burundi and Zaire by truck convey.

There were a total of about 230 Americans living in Rwanda.

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according to market conditions
and other factors. April 8

Dollar Straints

Issuer	Can	Mat	Price	Yld	Trsy	Sed
Governments/ Supnationals						

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Matur	Con	Mkt Price	Yld	Ses	Tray
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1983	100%	102%	4.34	151	
1984	100%	102%	4.34	151	
1985	100%	102%	4.34	151	
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2047	100%	102%	4.34	151	
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2049	100%	102%	4.34	151	
2050	100%	102%	4.34	151	
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1981 2060 Aug	100%	67%	7.48	11	
1981 2061 Aug	100%	67%	7.48	11	
1981 2062 Aug	100%	67%	7.48	11	
1981 2063 Aug	100%	67%	7.48	11	
1981 2064 Aug	100%	67%	7.48	11	
1981 2065 Aug	100%	67%	7.48	11	
1981 2066 Aug	100%	67%	7.48	11	
1981 2067 Aug	100%	67%	7.48	11	
1981 2068 Aug	100%	67%	7.48	11	
1981 2069 Aug	100%	67%	7.48	11	
1981 2070 Aug	100%	67%	7.48	11	
1981 2071 Aug	100%	67%	7.48	11	
1981 2072 Aug	100%	67%	7.48	11	
1981 2073 Aug	100%	67%	7.48	11	
1981 2074 Aug	100%	67%	7.48	11	
1981 2075 Aug	100%	67%	7.48	11	
1981 2076 Aug	100%	67%	7.48	11	
1981 2077 Aug	100%	67%	7.48	11	
1981 2078 Aug	100%	67%	7.48	11	
1981 2079 Aug	100%	67%	7.48	11	
1981 2080 Aug	100%	67%	7.48	11	
1981 2081 Aug	100%	67%	7.48	11	
1981 2082 Aug	100%	67%	7.48	11	
1981 2083 Aug	100%	67%	7.48	11	
1981 2084 Aug	100%	67%	7.48	11	
1981 2085 Aug	100%	67%	7.48	11	
1981 2086 Aug	100%	67%	7.48	11	
1981 2087 Aug	100%	67%	7.48	11	
1981 2088 Aug	100%	67%	7.48	11	
1981 2089 Aug	100%	67%	7.48	11	
1981 2090 Aug	100%	67%	7.48	11	
1981 2091 Aug	100%	67%	7.48	11	
1981 2092 Aug	100%	67%	7.48	11	
1981 2093 Aug	100%	67%	7.48	11	
1981 2094 Aug	100%	67%	7.48	11	
1981 2095 Aug	100%	67%	7.48	11	
1981 2096 Aug	100%	67%	7.48	11	
1981 2097 Aug	100%	67%	7.48	11	
1981 2098 Aug	100%	67%	7.48	11	
1981 2099 Aug	100%	67%	7.48	11	
1981 2100 Aug	100%	67%	7.48	11	
1981 2101 Aug	100%	67%	7.48	11	
1981 2102 Aug	100%	67%	7.48	11	
1981 2103 Aug	100%	67%	7.48	11	
1981 2104 Aug	100%	67%	7.48	11	
1981 2105 Aug	100%	67%	7.48	11	
1981 2106 Aug	100%	67%	7.48	11	
1981 2107 Aug	100%	67%	7.48	11	
1981 2108 Aug	100%	67%	7.48	11	
1981 2109 Aug	100%	67%	7.48	11	
1981 2110 Aug	100%	67%	7.48	11	
1981 2111 Aug	100%	67%	7.48	11	
1981 2112 Aug	100%	67%	7.48	11	
1981 2113 Aug	100%	67%	7.48	11	
1981 2114 Aug	100%	67%	7.48	11	
1981 2115 Aug	100%	67%	7.48	11	
1981 2116 Aug	100%	67%	7.48	11	
1981 2117 Aug	100%	67%	7.48	11	
1981 2118 Aug	100%	67%	7.48	11	
1981 2119 Aug	100%	67%	7.48	11	
1981 2120 Aug	100%	67%	7.48	11	
1981 2121 Aug	100%	67%	7.48	11	
1981 2122 Aug	100%	67%	7.48	11	
1981 2123 Aug	100%	67%	7.48	11	
1981 2124 Aug	100%	67%	7.48	11	
1981 2125 Aug	100%	67%	7.48	11	
1981 2126 Aug	100%	67%	7.48	11	
1981 2127 Aug	100%	67%	7.48	11	
1981 2128 Aug	100%	67%	7.48	11	
1981 2129 Aug	100%	67%	7.48	11	
1981 2130 Aug	100%	67%	7.48	11	
1981 2131 Aug	100%	67%	7.48	11	
1981 2132 Aug	100%	67%	7.48	11	
1981 2133 Aug	100%	67%	7.48	11	
1981 2134 Aug	100%	67%	7.48	11	
1981 2135 Aug	100%	67%	7.48	11	
1981 2136 Aug	100%	67%	7.48	11	
1981 2137 Aug	100%	67%	7.48	11	
1981 2138 Aug	100%	67%	7.48	11	
1981 2139 Aug	100%	67%	7.48	11	
1981 2140 Aug	100%	67%	7.48	11	
1981 2141 Aug	100%	67%	7.48	11	

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Jan 1977	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77	97.77
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BUSINESS

International Herald Tribune, Monday, April 11, 1994

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CAPITAL MARKETS

Europe's Battered Bonds: Can They Forget the U.S.?

By Carl Gewirtz
International Herald Tribune

PARIS—Although the storm that battered European bond prices has subsided, the siege mentality among investors persists. No one knows whether markets are simply in a lull waiting for another upsurge in U.S. interest rates, or whether markets in Europe have finally begun to decouple from events in the United States.

Followers of the decoupling theory are encouraged by the performance over the past two weeks. Although U.S. rates from three months to 30 years have risen between 1/2 and 1/4 percentage point, yields in the major European markets have declined across the maturity spectrum. The falls have been substantial in Italy as well as in Germany, Belgium, the Netherlands and Spain, and selective in France, Denmark and Switzerland.

The Bundesbank's further cutting of short-term rates, to 5.75 from 5.76 percent last week, "helped stabilize expectations that European interest rates are still headed lower," Christopher Potts at Banque Indosuez in Paris observed. But even he, a relative optimist on decoupling, ruled out any spectacular disconnection with the U.S. market as long as the Bundesbank's easing remains so gradual.

"Investors remain very skeptical about the scope for lower rates in Europe and prefer to wait and see before jumping back into the market," he said. "We'd need to see steeper, more rapid cuts by the Bundesbank to get a faster decoupling."

The fundamental problem is that futures markets now assume that short-term German interest rates will bottom at 5 percent instead of the slightly more than 4 percent that had been expected previously. With short rates at 5 percent and a huge budget deficit to finance, Germany's long-term interest rates are likely to rise from the present level of 6.2 percent.

The U.S. recovery was financed by a steep yield curve. (Properly timed, a steep yield curve, in which long-term rates are much higher than shorter rates, encourages borrowing by business, maximizes the profits of financial intermediaries and mobilizes long-term capital.) In the U.S. case, short-term rates were 3.3 percentage points, or 330 basis points, below 10-year yields in 1992 and the gap last year was some 250 basis points. Germany will need a spread of at least 200 basis points, but that implies a yield on 10-year bonds of 7 percent—a level that at this stage of the economic cycle could set back expectations of resumed growth. Ditto for the rest of Europe.

Germany and the rest of Europe had been able to overcome their inverted yield curves—where short rates were higher than long-term yields—only and secure the beginnings of a recovery because of the record inflows of foreign (largely U.S.) money into the bond market that drove long-term yields to unnaturally low levels.

But the violent first-quarter shakeout has driven that money

See BONDS, Page 9

Kashima Drops a Bundle

Oil Refiner Loses 152 Billion Yen Trading Currency

Compiled by Our Staff From Dispatches

TOKYO—The president of the Japanese refiner Kashima Oil Co. has resigned after announcing that the company lost 152 billion yen (\$1.45 billion) in currency trading, the second-largest loss ever recorded by a Japanese company.

An official of the Ministry of International Trade and Industry said Sunday that the ministry would begin an investigation this week into the loss.

The MITI official said, however, that the ministry had no plans to restrict Kashima's refinery operations "because the company's financial trouble is not directly linked to its production and marketing business."

"We have no plans for administrative action," he said. "It will be all right if the company can deal with the losses with shareholders' consent."

Japan Energy Corp., which has a 25 percent stake in Kashima, said it was discussing a rescue package with Industrial Bank of Japan Ltd., Kashima's main bank.

Kashima, a mid-sized refiner that is listed on the Tokyo Stock Exchange, supplies crude and fuel oil, mostly to Japan Energy. The other major shareholders in Kashima, which was founded in 1967, are Mitsubishi Petrochemical at 25 percent and Cosmo Oil at 21.6 percent.

Television news reports said that Hachiro Ohta, president of Kashima, had said he would resign to take responsibility for the loss, which far exceeded the company's capitalization of 20 billion yen, after a bailout plan had been mapped out.

"I am very regretful that this has happened," he said. "I feel an acute sense of responsibility."

Mr. Ohta said the company planned to cover some of its losses by selling real estate assets.

The losses included sums incurred by Kashima Oil Bermuda Ltd., a subsidiary, Mr. Ohta was quoted as saying.

"It is extremely regrettable that we have caused such a situation in an area other than our main business of oil refining," Mr. Ohta was quoted as saying. "But we are making sure we immediately enforce internal drills to make sure such a situation will never occur again."

Kashima's losses are second only to those of Showa Shell Sekiyu K.K., which disclosed a foreign exchange loss last year of 166.3 billion yen from the same type of currency forward transactions.

Kashima reported an unconsolidated pretax profit of 11.2 billion yen on revenue of 280.5 billion yen in the business year ended March 31, Kyodo News Agency said.

The company's refinery in Kashima, northeast of Tokyo, has a capacity of 165,000 barrels per day. (Reuters, AFP)

Wall Street Rattles Main Street White House Weighs Economic Toll of Market Drop

By Keith Bradsher
New York Times Service

WASHINGTON—If stock and bond prices do not recover from their recent plunge, the U.S. economy will grow somewhat less rapidly this year and next than it otherwise would, administration officials and some private economists have said.

They cite higher interest rates, which discourage companies and individuals from borrowing and spending money. Moreover, they cite the so-called wealth effect: many American consumers will likely spend less money if they feel poorer because of shrunken portfolios.

After running various computer simulations of the economy, President Bill Clinton's Council of Economic Advisors has concluded that if the stock market falls 10 percent below its peak in early February

and stays down, this will knock 0.4 percentage point off the expected annual growth rate of the U.S. economy, reducing it by about \$20 billion. Growth is now running a little over 3 percent. The stock market is trading about 7 percent below its peak.

"There is a wealth effect," Laura D'Andrea Tyson, the head of the Council of Economic Advisors, said Friday. "It's a relatively small effect but it does require a sustained, that is, long-term reduction in the value of stocks."

The braking effect of a falling stock market and rising interest rates on the economy may also be hard to notice, if, as may well be the

case, it is offset by the economy's generally growing strength.

A survey this week of prominent economists by Blue Chip Economic Indicators found that their consensus forecast of economic growth this year had actually risen, to 3.7 percent from a 3.6 percent forecast in early March.

Lehman Brothers, the New York investment firm, estimated that the wealth effect from the stock market's recent retreat would reduce economic growth by only 0.2 of a

percentage point if the stock market stayed 10 percent below its peak.

But when bond market losses and the economy-slowing effects of higher interest rates are included in the calculation, the harm to American economic output grows to 0.5 of a point this year and 0.7 to 0.8 of a point next year, said Allen Sinai, Lehman's chief economist.

The key question, Ms. Tyson and other economists said, is not how deeply the stock market has fallen but how long it will stay down. The reason is that consumers appear to be very slow in revising their spending plans in response to financial losses.

Nobody knows how long the stock market will take to recover from last month's sell-off. Mr. Sinai said that he expects the market to recover soon because the overall economy remained strong.

But Mr. Sinai added that he expected interest rates to stay up. As a result, Lehman Brothers has just revised downward its projections of economic growth, but not drastically, he said. Mr. Sinai revised his forecast down to 3.4 or 3.5 percent growth this year from a 3.7 percent

forecast a month ago, and revised his forecast for next year down to 3 percent from 3.4 percent.

When the stock market crashed in 1987, many doomsters predicted that the economy would be severely damaged. They were proved wrong, since the economy grew 3.9 percent in 1988, a rate not equaled for any year since then.

That striking miscalculation set off strong criticisms of the wealth effect theory at universities. The effect now is "something that's not emphasized by academic economists but is emphasized by economic forecasters," said Laurence Ball, an economics professor at Johns Hopkins University.

See MARKET, Page 10

Growth Hits 3.3% In Latin America

Regional Bank Urges a Fairer Sharing of Gains

Reuters

GUADALAJARA, Mexico—Latin America experienced a third consecutive year of growth in 1993, but the bonanza may turn out to be ephemeral unless its poverty-stricken masses receive a larger slice of the economic pie, the Inter-American Development Bank said Monday.

The area's gross domestic product grew by 3.3 percent, after rising by 2.9 percent in 1992 and 3.7 percent in 1991, reversing a decade of stagnation, according to the bank's annual report.

"In most countries this strengthening of economic activity was accompanied by further reductions in the rate of inflation in an environment of enhanced macroeconomic activity," the bank said.

"New, sizable inflows of foreign capital were testimony to the increasing confidence of the international community and world financial markets in the prospects for continued economic expansion and price stability," it said.

But the bank, which is holding its annual meeting in Guadalajara, Mexico's second largest city, warned that a lot remains to be done to consolidate the gains. "Poverty indexes remain adverse and income distribution is still highly skewed," it said.

"Economic growth and modernization are not likely to be sustainable in the absence of political and social stability, which in turn depend upon a more equitable distribution of the benefits of that growth."

The warning took on urgency with its release in Mexico, where a peasant uprising in the south in January and the killing of Luis Donaldo Colosio, the ruling party candidate, in the north in March shook a country long seen as a regional model of stability.

"Latin America now has to turn its attention to social issues," the IADB president, Enrique Iglesias, said. The bank, he said, planned to increase its capital by \$40 billion to \$100 billion and devote half of its resources to look after the region's pressing social needs.

By any measure, Latin America and the Caribbean had an impressive year. Exports grew by 3.6 percent adjusted for inflation and private capital, estimated at \$65 billion in 1993, poured in for the fourth consecutive year.

Inflation fell in most countries and the debt burden kept shrinking as more countries kept public spending and raised revenue.

In addition, the bank pointed out that the implementation of the North American Free Trade Agreement between the United States, Mexico and Canada had opened the door to a hemisphere-wide free trade zone.

This Dutchman's Dome Is His Castle

By Robert L. Kroon
Special to the Herald Tribune

GENEVA—One night in the late 1970s, Jan P. van Eeden, a young Dutch civil engineer working for a Rotterdam construction company, was contemplating an inflatable tent when the idea struck.

"I thought that if these temporary bubbles could be reinforced with spray concrete, you could build cheap, permanent storage domes for every purpose," Mr. van Eeden recalled.

The process had been tried in Germany and the United States but discarded because the concrete would not bond with the slippery surface of the vinyl membrane.

Mr. van Eeden tried a different approach, working on the inside of his test models. To overcome the bonding problem, he first applied an insulating layer of polyurethane foam in which he embedded a steel mesh as an anchoring base for the sprayed concrete.

Within days the bubble hardened into a permanent structure, but as Mr. van Eeden ordered the air compressors shut off, he admits he "had butterflies all over my guts."

Unnecessarily so, as it turned out, because after 20 years the first van Eeden dome is still standing. Mr. van Eeden took out patents worldwide, quit the Rotterdam company and founded International Dome Systems. Since 1986 it has built more than 50 domes of every size and shape from Venezuela to Malaysia for a total value of \$45 million.

The company, with a head office in Cyprus, affiliates in the United States, France, Brazil, the Netherlands and Spain, and li-

censes in half a dozen more countries, has an order book worth \$15 million.

Mr. van Eeden's dome enterprise is still largely a one-man show and he is parsimonious with financial specifics. He farms out most contracts through local contractors whom he selects and trains.

International Dome Systems gets its revenues from license fees and the sale of the cut-to-order "airforms" from a plant it owns in the Netherlands.

"In April 1986, I got my first European order for the construction of two grain storage domes in France," he recalled.

There are now 17 of his domes in France. Most of them are for grain or cement storage, but there is also a hemispherical cinema for an audience of 800 in the Futuroscope theme park near Poitiers, which opened in 1992.

To hear Mr. van Eeden tell it, there's no limit to the applications for his bubbles. When Saddam Hussein was still more or less respectable, the company inflated a number of instant mosques in Iraq in the late 1980s.

Mr. van Eeden rhapsodizes about the merits of his invention. "Since the concrete is protected against rain by the plastic skin, it hardens under ideal circumstances and the reinforcing rods will not corrode over time. Rain does not interfere with the spraying either, since my crews work inside the bubble," he said.

"The only critical stage is the first five days before the concrete solidifies," he said. "And, of course, the airform cannot be inflated in stormy weather."

Mr. van Eeden personally supervises this "incubation period" and the air compressors are guarded day and night. Diesel generators automatically take over in case of power

failure. "So far we have never had an imploding dome," he said.

The builder pointed out that the dome is one of the strongest load-bearing designs that exists. "Trouble is, domes like St. Peter's in Rome are somewhat pricey nowadays."

While most of the company's structures are hemispherical, Mr. van Eeden is experimenting with cylindrical and other forms, for another lucrative market, noise-abatement covers for expressways and railways.

"Airform surface tunnels can be inflated in 50-meter segments over existing tracks," he said.

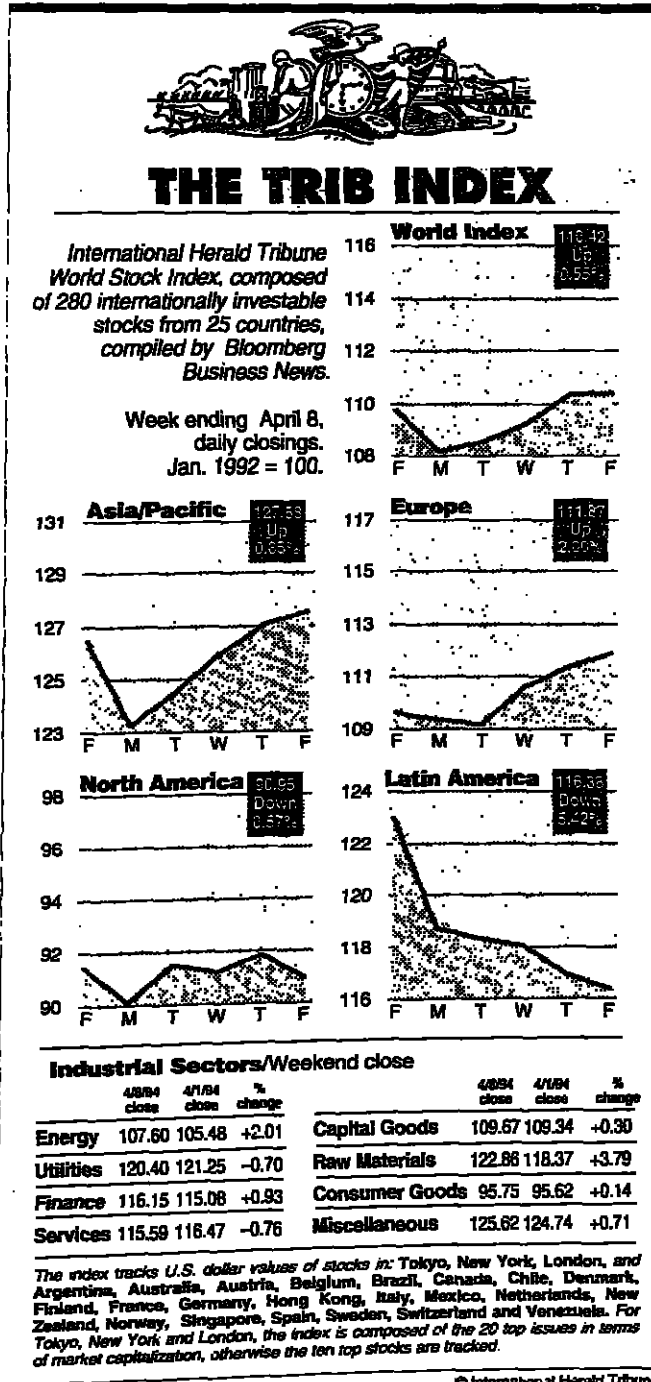
The firm is bidding through its Dutch licensee, Hollandse Beton Groep, for a contract to cover part of a \$4 billion freight railway the government plans to build between Rotterdam and the German border. Dutch state rail planners caution that Mr. van Eeden's noise abatement claims may be overblown.

Skeptics also question the esthetics of the company's naked plastic tunnels, which, inevitably, have been nicknamed "condoms" in the Dutch media.

But Mr. van Eeden is hard to discourage. "First of all, our polyvinyl outer skin can be supplied in any color," he says. "Second, it can be covered with shrubs or grass for additional sight-and-sound values."

Charles Vos, a professor of civil engineering at Delft Polytechnical University, agrees there's a future for inflatable surface tunnels. "Building costs could be 30 to 40 percent cheaper than conventional structures," he said. "I think noise abatement parameters can be met."

Articles in this series appear every other Monday.



The index tracks U.S. dollar value of stocks in Tokyo, New York, London, and Amsterdam, Australia, Austria, Belgium, Brazil, Canada, Chile, Denmark, Finland, France, Germany, Hong Kong, Italy, Mexico, Netherlands, New Zealand, Norway, Singapore, Spain, Sweden, Switzerland and Venezuela. For Tokyo, New York and London, the index is composed of the 20 top stocks in terms of market capitalization, otherwise the ten top stocks are tracked.

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CURRENCY RATES

Cross Rates				April 8			
Currency	Per \$	Per 100	Per 100	Currency	Per \$	Per 100	Per 100
Australian	1.35	135.00	135.00	Swiss franc	0.75	75.00	75.00
British pound	1.60	160.00	160.00	Japanese yen	100.00	100.00	100.00
Canadian dollar	0.70	70.00	70.00	South Korean won	200.00	200.00	200.00
French franc	6.55	655.00	655.00	Taiwan dollar	20.00	20.00	20.00
German mark	1.36	136.00	136.00	Thai baht	30.00	30.00	30.00
Italian lira	200.00	200.00	200.00	Turkish lira	100.00	100.00	100.00
Japanese yen	100.00	100.00	100.00	U.S. dollar	1.00	100.00	100.00
Netherlands guilder	1.66	166.00	166.00				
New Zealand dollar	0.65	65.00	65.00				
Portuguese escudo	200.00	200.00	200.00				
Spanish peseta	166.67	166.67	166.67				
Swedish krona	8.00	80.00	80.00				
Swiss franc	0.75	75.00	75.00				
Taiwan dollar	20.00	20.00	20.00				
Thai baht	30.00	30.00	30.00				
Turkish lira	100.00	100.00	100.00				
U.S. dollar	1.00	100.00	100.00				
Venezuelan bolivar	200.00	200.00	200.00				

Source: ING Bank (Amsterdam); Deutsche Bank (Frankfurt); Bank of Tokyo (Tokyo); Royal Bank of Canada (Toronto); IMF (Washington). Other data from Reuters and AP.

Business Assails Rights Link

Reuters

KUALA LUMPUR—U.S. businessmen operating in Asia want the United States to try to link trade with human rights progress, a regional business group said.

A communiqué issued by the Asia-Pacific Council of American Chambers of Commerce Saturday after a two-day meeting said: "Linkage results in direct retaliation, mistrust of U.S. reliability and an overall souring of a supportive business relationship."

The council is a coordinating body of U.S. business groups in 16 countries in the region, including Australia, Hong Kong, Indonesia, South Korea, Malaysia, Singapore and the Philippines.

"American businesses have and will continue to promote human and workers' rights in the countries in which they do business," the council said.

But the group also strongly recommended that the U.S. government retain China's most-favored-nation status unconditionally.

The council's recommendations will be discussed with U.S. lawmakers during its annual gathering in Washington in June.

Its president, Douglas Henck, said that human rights issues should be separated from trade and discussed through bilateral commissions or in the United Nations, the national Bernama news agency reported.

"We support the U.S. government's call to improve human rights conditions, but we feel that linking it with trade is a lose-lose situation," Mr. Henck said.

The AFL-CIO, the largest U.S. labor organization, has petitioned a withdrawal of Malaysia's preferential trade status due to alleged violations of workers' rights in the country.

The council asked governments to promote fair market access in the services sector. The key sectors cited included telecommunications,

transportation, insurance, banking and professional consulting services.

The closed-door meeting, which focused on U.S. business competitiveness in Asia, was opened by Prime Minister Mahathir bin Mohamad of Malaysia on Friday.

The Asia-Pacific Council of American Chambers of Commerce also wants the U.S. government to revise tax and export policies that

the council says burden U.S. employers with excessive costs such as the taxation of income earned abroad.

For investment information

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AVIS AUX ACTIONNAIRES

Mesdames les actionnaires sont convoqués par le présent avis à

L'ASSEMBLEE GENERALE ORDINAIRE DES ACTIONNAIRES

qui se tiendra au siège social à Luxembourg le 20 avril 1994 à 15 heures, avec l'ordre du jour suivant :

ORDRE DU JOUR

1. Rapport de gestion du Conseil d'Administration;
2. Rapport du Réviseur d'Entreprises;
3. Adoption des comptes de l'exercice au 31 décembre 1993;
4. Affectation du résultat de l'exercice;
5. Nomination des administrateurs et un Réviseur d'Entreprises;
6. Nomination des organes sociaux :

- Réélection des administrateurs sortants;
- Examen des nouvelles candidatures proposées par le Conseil d'Administration;
- Réélection du Réviseur d'Entreprises.

7. Divers.
- Les résolutions des actionnaires lors de l'Assemblée Générale Ordinaire seront votées à une majorité simple des actionnaires présents et votants.

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THE LINK BETWEEN THE PAST AND THE FUTURE



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MARKET: Wall Street Slump's Effect on Economy

sports upward, he said.

NASDAQ NATIONAL MARKET

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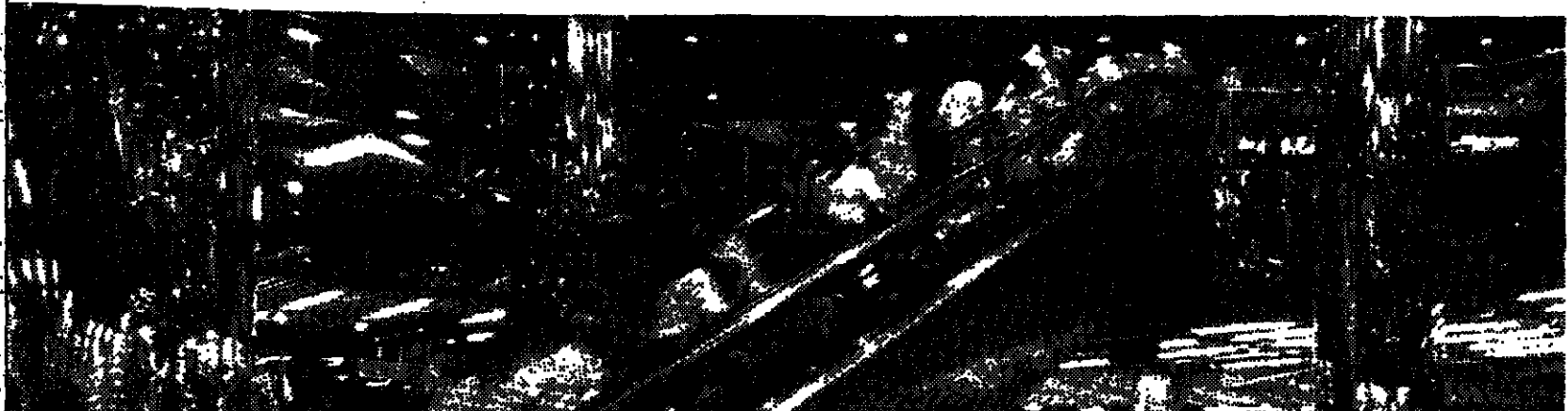
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DOING BUSINESS WITH CHINA



The sleeping giant wakes — and shops. Here, a mall in Shenzhen, Guangdong province.



MAJOR NAMES, BIG NUMBERS, HIGH STAKES

FOREIGN investment and trade in China are poised to reach new heights this year, building on the astonishing growth of the last two years.

The value of overseas investment actually used rocketed 150 percent in 1992 to \$11 billion, and leapt 135 percent last year to reach \$25.8 billion.

Exports gained 18 percent in 1992 and 8 percent in 1993, reaching \$91.8 billion last year. Imports hit \$104 billion last year, adding 29 percent to the 26.4 percent rise in 1992.

Stunning growth was fueled by a new wave of reforms, which opened the

foreign technology, capital and management skills, offering partial ownership and an entry into the domestic market in return. The size and market reach of such large potential partners is attracting more multinationals.

There are obstacles, to be sure, including the possibility of a strict credit squeeze later this year to cool off an overheating economy. But many overseas investors say more money will go into China and new types of projects will open to foreigners.

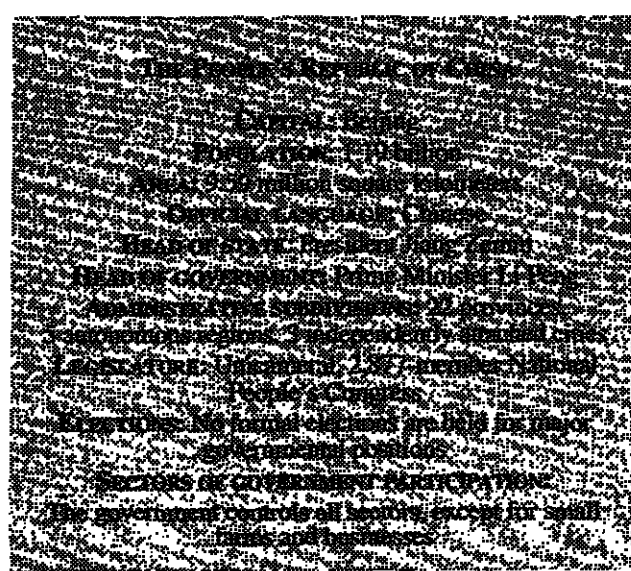
Masahiko Fujita, a director and vice president of the Hong Kong office of the large Japanese trading firm Marubeni, says there may not be a lot of big projects in the first part of the year as uncertainties over new Chinese tax regulations sort themselves out. He expects a jump in investment in the second half of 1994.

"China has potential because it has 1.2 billion people and its low living standard is rising fast," he says. "Other countries' economies are slowing down, including Japan's. Southeast Asian nations are short of manpower, so now almost everyone is focusing on China."

China's stunning growth, 13.4 percent last year, opens a wide range of opportunities, he adds. "We already have 30 joint ventures in China, and we'd like to expand to 100 very quickly." Japanese heavyweights such as Sharp and Hitachi are moving into manufacturing ventures with new enthusiasm.

American companies face the added uncertainty caused by the dispute over U.S. renewal in June of China's most-favored-nation trading status.

"But in general, U.S. firms take a longer-term view," says Frank Martin, president of the American Chamber of Commerce in Hong Kong. "We receive literally hundreds of inquiries expressing interest in China. If we can get the MFN issue behind us, there's a good chance we'll see another surge in



U.S. investment in China.

Infrastructure projects offer good opportunities for U.S. multinationals. AT&T International announced in early March that it had set up a joint venture which could take more than 30 percent of the Chinese market in fax machines, cordless telephones and other communications projects.

China is beginning to open other big infrastructure projects, including the construction and management of ports and airports. The major U.S. oil companies are lining up to explore the potentially rich Tarim Basin, which was opened to foreigners last year.

Securities firms such as Merrill Lynch are helping underwrite stocks offered to foreign investors.

European companies are active in the same areas as U.S. multinationals. In infrastructure, for example, Siemens of Germany is negotiating with Dongfang Electric Machinery Works to set up a joint venture making thermal and nuclear power machinery.

Yukong Ltd. plans to join other South Korean companies that are launching big projects. In March, it announced that it had reached agreement in principle with China Petrochemical Corp. to build a \$1.5-billion oil re-

finery in Shenzhen, near Hong Kong.

Some Southeast Asian countries complain that China is "stealing" investment from other countries in the region. Experts say, however, that any diversion of investment is outweighed by lucrative investment opportunities.

"The China factor will still be the driving force behind bullishness in the region," says Alex Tang, research director at Yamaichi Securities.

Since Singapore agreed to help set up an industrial park in the East China city of Suzhou last year, Singapore companies have signed some \$3 billion in letters of intent and agreements for projects in the park.

Hong Kong companies, mainly manufacturers seeking cheap land and labor, are the biggest investors in China. In addition, companies such as leisure wear and accessories maker Giordano are leading the charge into China's domestic market.

Trade is burgeoning as China implements reforms to prepare for re-entry into the General Agreement on Tariffs and Trade. At the beginning of the year, China reduced import tariffs on 2,800 items and relaxed restrictions on import licenses.

Gene Linn

THE BASIS OF CHANGE: ECONOMIC REFORMS

"THE Year of Reforms" is the brave slogan adopted by China in 1994. After 15 years of steadily chipping away at the old planned economic system, this year is to see introduction of fundamental reforms in banking, monetary policies, taxation and enterprises intended to build the foundation of a market economy.

Foreign experts generally give China an "A" for intentions, but expect the grade for implementation will be lower — at least in the short run.

"The reforms are overly ambitious to start with," says Ian Perkin, the chief economist of the Hong Kong General Chamber of Commerce. "It reflects a bit of naiveté that's probably a holdover from the old command economy when you gave an order and everyone stuck with it."

One of the main problems with implementation will be opposition from powerful regional and economic interests.

"In the previous 10 years, everybody gained from reforms," says Vincent Chan, senior economist at Peregrine Brokerage. "Basically, the central government just relaxed control and gave local governments more autonomy. But now, some people will have to give and some will take."

Those who may be asked to give the most are the approximately 100 million employees of state companies.

Thousands of state enterprises are to become shareholding companies. In many cases, some of the shareholders will be foreign companies that can inject capital, technology and management skills.

Enterprises are to lose state subsidies, but generally will be allowed to charge higher prices for their products as price controls are lifted. The hoped-for overall result will be lean, mean corporations.

Perhaps too lean and mean. Efficiency will require paring bloated staffs and cutting the comprehensive welfare benefits given to most employees of state en-

Continued on page 14

STEERING THE COURSE OF ECONOMIC GROWTH

CHINA'S world-beating economic growth may be too much of a good thing this year. The stunning growth that has ignited enthusiasm about the domestic market is in danger of spinning out of control.

Government attempts to blunt soaring growth could cause a hard landing. A moderate slowdown, however, could keep the economy's extraordinary momentum intact by leading to a soft landing.

Chinese leaders are now circling the airfield, preparing to bring the economy down easily. At the recent session of the National People's Congress (NPC), they adopted economic targets that are still high, but well below recent marks.

Real gross domestic product growth catapulted 12.8 percent in 1992 and jumped 13.4 percent in 1993. The NPC goal for this year: 9 percent. Investment in fixed assets, which has fueled recent spectacular growth, is to grow at 10 percent after jumping 50 percent in 1993. The sharp drop in fixed assets is designed to stem a dangerously steep rise in prices. The NPC aims to bring inflation down from 14.5 percent in 1993 to the single digits this year.

The process of lowering economic expectations looks familiar to Anthony Chester Chan, regional economist for Mees-Pierson Securities.

Just as they did last year, Chinese leaders came out around the first of the year with strong statements about the need to slow down growth. In March, the NPC set conservative targets.

Continued on page 18

AIR TRANSPORT NEEDS FLEETS, TECHNOLOGY, SECURITY

AIR travel across China is growing at a phenomenal rate, with new airlines forming and established carriers adding new routes. Traffic is growing at 25 percent to 35 percent a year, and the number of flights is expected to reach 6,000 a week by the end of the year.

The result has been a bonanza for Western manufacturers as Chinese airlines snap up multimillion-dollar jetliners as though they were model airplanes.

A recent Chase Manhattan Bank report estimates that China could spend \$90 billion on 1,200 new aircraft by 2010. But Beijing is now going beyond merely buying foreign aircraft and parts. Aviation consultants say that China will have to seek Western aviation and communications technology as well as reservations, management and security systems for many years. In addition, the expanding industry urgently needs to train pilots, air-traffic controllers and airframe, engine and electronics engineers.

Western companies have already made inroads into the industry. Seattle's Boeing Co. is strengthening its relationship by establishing a spare-parts warehouse at Beijing International Airport and support facilities at 12 other airports. The company has been most successful in selling aircraft to China; 14 percent of the jetlin-

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60% of joint ventures are already posting profits

country for foreign stockbrokers, retailers and other businesses.

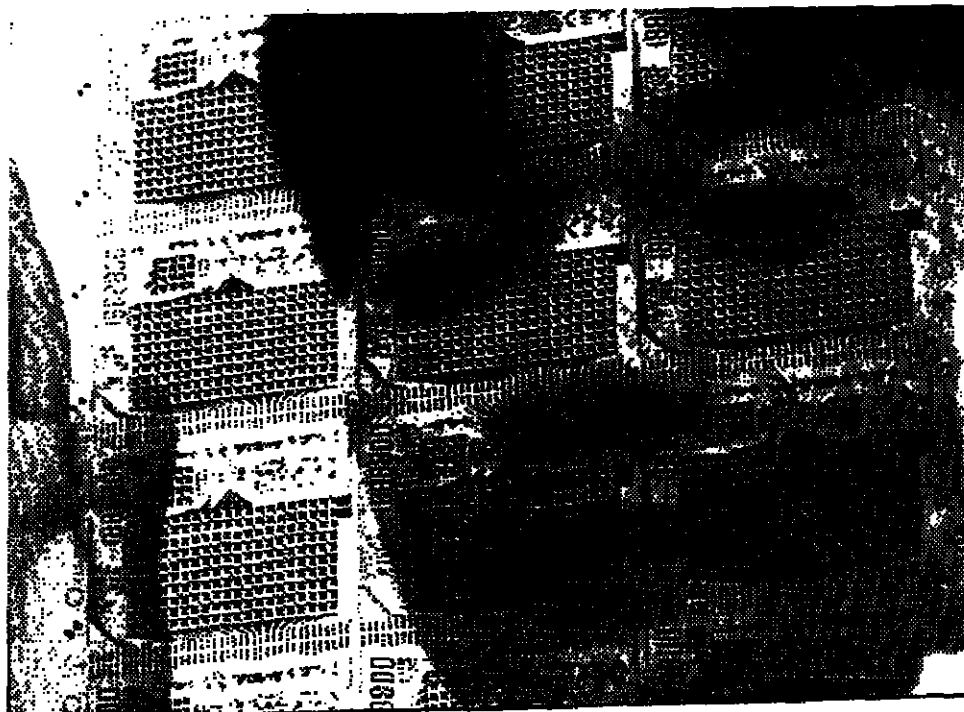
Preferential policies established in the 1980s to lure foreign investment began to spread from their beachhead in coastal special economic zones and large cities. Inland cities such as Wuhan are attracting more investment.

China reported that 155 of the top 200 foreign-funded manufacturing ventures, ranked by sales volume, were profitable in 1992. Overall, some 60 percent of joint ventures are already posting profits.

This year, China is introducing ambitious banking and tax reforms to try to improve macroeconomic control and smooth out the damaging boom-and-bust economic cycle.

Big, inefficient state-owned enterprises, a major drag on the economy, are aggressively trying to attract

The new face of China is one of galloping modernization, as manufacturing and consumer goods find fresh niches.



PATRICK MACANISH/LUCERO

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AUTOMAKERS GEAR UP FOR THE FAST LANE

The number of cars produced and sold last year by the seven foreign au-



Western aircraft makers and computer manufacturers are getting in on the ground floor.

FOREIGN INVESTMENT: THE THIRD WAVE

He says the second wave consisted of Asian investors.

"Experience tells us that once a sector in China is promoted by the government, the early bird catches the worm," says Mr. Ni. "The latest trend in China is investment in the financial industry."

The key to investment in China has and will be to develop lasting relationships with officials and businesspeople. But the most important step is to get in now and start. China is a huge country with a plethora of laws, taxes and regulations that not even Chinese officials can always keep track of. Investors will have to overcome numerous obstacles. They can be overcome, however, and the risks should eventually pay off.

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to \$92 billion. With the right partner, factories can be up and running in months. Investment in manufacturing has traditionally been low in the U.S., where the toy and textile industries are

any get into China to export or sell to the foreign enterprise can take the form of a sole proprietorship, a partnership, or a cooperative joint venture. The restrictions are difficult to breach, as Beijing guards

In most cases, investors will choose one of the five provinces designated as special economic zones - Hainan,



Police officers in Empangeni restraining Inkatha Freedom Party backers as thousands demonstrated against upcoming elections.

Violence Is Averted as Zulus Defy Arms Law

EMPANGENI, South Africa — Thousands of Zulus defied a state of emergency in South Africa's Natal region by carrying traditional weapons during a march on Tuesday, although the demonstration ended without violence.

But police officials said the death toll elsewhere in Natal and its adjoining KwaZulu black homeland had risen to 71 since President Frederik W. de Klerk declared the emergency last Thursday to halt political violence in the region.

The police said the Zulus paraded with weapons that included shields, fighting

sticks, machetes, spears and knives. The march was to back demands by Goodwill Zwelithini, the Zulu king, for a sovereign Zulu state. A similar demonstration in Johannesburg last week ended with more than 50 dead.

"We could not disarm them without bloodshed," police Major Margaret Kruger said of Tuesday's march, which was watched by heavily armed police with dogs and troops backed by armored vehicles.

■ Helicopter Is Shot Down

A civilian helicopter was shot down Tues-

day by unidentified gunmen over Tembisa, a black township northeast of Johannesburg, South Africa's private Radio 702 reported.

The radio, cited by Agence France-Press, said two bullet holes were found in the fuselage of the helicopter and that its four occupants were chased by a hostile crowd after an emergency landing.

Colonel Eugene Opperman, a police spokesman, said that a helicopter had crashed into two houses in the township and that two of the four occupants had been taken to hospital with minor injuries. He said he had no knowledge of a crowd chasing the

MARKET: Wall Street Rebounds, But Investors Wary of Risk

Continued from Page 1

which had risen a full percentage point in the past month and made stock yields look increasingly anemic, ended their week-long fever. After finishing at 7.41 percent Monday, the yield slipped to 7.35 percent before the stock market opened Tuesday and finished at 7.25 percent.

This market activity also pushed the dollar up more than a penny against the Deutsche mark and by more than a yen against the Japanese yen, suggesting that foreign money would flow toward stronger U.S. markets despite the less favorable interest rates.

A series of factors fueled Tuesday's turnaround. First, bond traders came to work and noted that European bond and stock markets, after being closed for a long Easter weekend holiday, had reopened Tuesday with more equanimity than Wall Street about recent statistics showing strong growth in the U.S. economy.

"Europe may have sensed that the U.S. was

due for a rally," said Dennis Jarett, of Kidder, Peabody & Co., dismissing theories that transatlantic markets had decoupled and would go their separate ways — an explanation that few fund managers accept during turbulent market turns like this one.

Then the government issued its index of leading economic indicators for February, which was down 0.1 percent.

But few imagine this is the end of the market saga that began in February when the Federal Reserve Board reversed five years of loose monetary policy and began tightening interest rates. The problem is that no one knows when or how markets will bottom, and one reason is the amount of borrowing that had stimulated the demand for bonds has been unprecedented. No one knows how big it was, or how long it will take to unwind.

Neal Soss, chief economist at CS First Boston, said the unwinding of bond leverage, or loans, was not complete, and until leveraged

buyers return to the market, it's impossible to know the real level of demand for bonds.

"I can't see the bottom," Mr. Soss said, "and I don't think anyone will until some major event like a well-publicized failure tells us all that it's over because the banks have cut their losses and called their loans."

Hugh Johnson, of First Albany Securities, drew a parallel with Wall Street in 1962 — just as President Bill Clinton likes to compare himself to John F. Kennedy, who then was president. During the first six months of that year, he recalled, the U.S. economy was robust as it now is and inflation was low, but the stock market declined by 27 percent "for no apparent reason."

"So don't be puzzled," he said. "The factors causing uncertainty in all markets are not easy to quantify and they range from the apprehension that inflation may be troubling in 1995 to fear that Clinton has yet to face his first foreign policy test. Maybe North Korea will be his Cuba."

RUSSIA: Zhirinovsky and Friends Have Quite a Party POLICY:

Continued from Page 1

that it is not going to bring any benefits to the country."

Whatever his prospects, Mr. Zhirinovsky's statements have become more outrageous, his boasting more grandiose and his targets more wide-ranging.

Yet the message is essentially unchanged. He continues to preach Russia's imperial imperative, milking national nostalgia for a great-power status that evaporated with the collapse of the Soviet Union. He has become expert at exploiting the wounded pride of Russians who feel that the last decade has left them poorer, weaker and more humiliated than they ever were before.

"Zhirinovskiy — the Last Hope of a Cheated and Humiliated People" read one of the hand-painted signs on a wall at the House of Tourists, where delegates this weekend said they saw nothing wrong with his move to assume dictatorial powers.

"Our party without Zhirinovsky would not be a party," said Anatoliy Baskich, 35, a ship's engineer from Kamchatka, Russia's easternmost peninsula. "Only a strong leader can save the situation in the country today."

If before Mr. Zhirinovsky laid the blame for the country's sorry condition at the door of the ruling "democrats" — as Russians refer to Mr. Yeltsin and his team of post-

Communist reformers — he has now taken to attacking the West, the United States in particular, as the witting agents of Russia's decline.

"The Americans are clever," he said. "They know it is better to come here with chewing gum, stockings, and McDonald's." That comment drew big applause from the delegates.

In his election campaign, Mr. Zhirinovsky had a promise for every constituency: more housing for the Russian military, higher pensions for old people, fewer taxes for business owners and more respect for Russian women. But since then, he has turned away from the mundane issues of government — the economy was barely mentioned in his speech on Saturday — and settled back on the nationalist themes that have served him so well.

Thanks in part to Mr. Zhirinovsky, but mostly to the mood he has crystallized, these themes have now become a fixture in Russian politics. A new anti-Western, anti-American tone runs through the oratory of the political opposition, from the Communists to former Vice President Alexander V. Rutskoi, who just this weekend accused Mr. Yeltsin of turning Russia into a colony of the West.

For all of Mr. Zhirinovsky's extravagant boasts of heading the largest party in the world's largest democracy, the Liberal Democratic

Party still does not look or sound like a party on the rise. It claims 125,000 dues-paying members, but its headquarters are still where they were before the December election — at the top of four flights of stairs in an old rundown building on a grimy Moscow side street, with a warren of dusty rooms, cluttered with copies of Mr. Zhirinovsky's collected works.

Flush with foreign publicity but pinched for money, the party has adopted a frankly mercenary approach toward non-Russian journalists. A half-hour interview with Mr. Zhirinovsky, which cost \$3,000 last month, jumped to \$5,000 in the week before the party congress because of the "great number of applicants," his press secretary noted. Even office workers have taken to billing reporters.

"Three minutes, one hundred dollars," said a woman in the anteroom to Mr. Zhirinovsky's office, citing the going rate for a chat with a party functionary. "Here, we charge for everything. What do you expect? You are only distracting us from our real work."

The New York Times and other American news organizations have routinely refused to pay Mr. Zhirinovsky for interviews, and he was not interviewed for this article.

U.S. Hopes Fade

Continued from Page 1

in Belgrade, committed suicide 10 days ago, Western diplomats in Belgrade said.

Although his motives are unclear, one account cited by diplomats in Belgrade is that his father's uncompromising leadership was deeply troubling to him.

In any event, his funeral in Belgrade provided an illustration of the divisions in Serbia and Serb-held Bosnia, with Radovan Karadzic, the leader of Bosnian Serbs, conspicuously absent. Mr. Karadzic, like Mr. Milosevic, appears more interested in discussing a settlement than General Mladic.

For the United States, the situation apparently engineered by General Mladic in Gorazde and Prijedor now poses delicate problems. "The Serbs seem to be saying they don't want peace and we can't force it on them," said one official. "We don't have the political will or capacity. Moreover, how can we sit down with them now or believe they are in good faith?"

As these problems fester, the officials said, the danger is that the momentum toward peace generated in recent weeks will evaporate.

VOTE: KwaZulu Delay?

Continued from Page 1

to be reincorporated into South Africa after the vote.

In the two months since Mr. Buthe's and the king began calling for a boycott, political killings have escalated to record levels in KwaZulu and its surrounding province of Natal, where factional fighting between the ANC and Inkatha has raged for a decade.

Mr. DeKlerk placed the entire province under a state of emergency last week, but the move has not stemmed the bloodshed. There have been 88 killings in the region since the regulations were imposed Friday.

South Africa's new electoral law empowers the commission — a multiracial, multiparty body created to run this vote — not to mount the election in any part of the country where it finds that circumstances make it impossible. The commission also can invalidate returns from part or all of the country if it determines that voting has not been "substantially free and fair."

If the balloting were to go ahead in most of the country but not in KwaZulu, where about one-seventh of all South Africans live, the commission could certify the national result and order a new regional or subregional election to be held later.

But ANC leaders have consistently warned that to delay the balloting in KwaZulu would merely be pouring oil on the fire. They are expecting to win the vote in the homeland, and they warn that their supporters in KwaZulu will be enraged if they are not allowed to join the rest of the country in its historic exercise in universal suffrage.

The election commission is a nominally independent body, but one with a strong pro-election bias. One source described Tuesday's report more as an alarm bell than as a declaration of intent not to carry out balloting in KwaZulu.

But the commission is facing real procedural difficulties that will have to be addressed in the next three weeks. In its task force report, the commission noted that the KwaZulu civil service and the Zulu tribal authorities, who carry out some governmental functions in KwaZulu, are not providing the necessary assistance — in the form of buildings, manpower and telecommunications — to set up the roughly 1,000 polling stations needed for the region.

The commission also said the KwaZulu and South African police had not given assurances they had the manpower required to secure the polling stations during the three days of balloting.

Mr. Mandela said Tuesday night that the additional forces activated in the region under the state of emergency had not yet reached full strength.

In Gaza, Relief on Both Sides As Deportees Return, Israeli Army Packs Up

By David Hoffman

Washington Post Service

RAFIAH, Israeli-Occupied Gaza Strip — In the shade of a small fruit tree on the border with Egypt, the Ajloun clan waited for hours Tuesday to get a taste of peace.

They chartered a bus and brought two dozen family members to the steel fence between Israel and Egypt, ringed with Israeli soldiers in bulletproof vests. The family was waiting for Riyad Ajloun, a 33-year-old Palestinian activist whom Israel deported at the zenith of the Palestinian revolt four years ago.

His return, along with 50 other Palestinians who were exiled or became fugitives during the intifada, marked the latest in a rush of events suggesting that Israel is moving quickly to deliver tangible results from the peace accord on Palestinian self-rule in Gaza and the West Bank town of Jericho.

While the deportees and former fugitives were being hugged, wrapped in Palestinian flags and hoisted on the shoulders of celebrating friends and family, Israeli soldiers in Gaza were busy wrestling with box springs and dresser drawers. At the main Israeli army command post in the center of Gaza, lorries hauled away file cabinets and desks as Israel continued a frenetic pace of evacuating its military quarters in the strip.

"All of us are sure, the occupation will be over one day soon," said Talib Ajloun, who served eight years in Israeli jails, as he waited for his cousin Riyad. "When you ask me, when I from, I should have a passport to tell you. But I don't. I want my flag, my identity, my passport."

The Palestinian flags in Gaza are looking faded, and the portraits of Chairman Yasser Arafat of the PLO have disappeared. But the Gaza Strip has started to look a little bit less like occupied territory. Soldiers exuded a sense of relief at checkpoints as the huge trucks rolled away, carrying out the debris of the military government and army headquarters. One soldier grinned as he waved a truck on through at the Kissufim checkpoint, a small maze of concrete blocks. "Just call us the last refugees from the army," he said. "We're going home soon."

While the talks between Israel and the PLO on implementing the Gaza-Jericho peace accord are moving forward in Cairo, Israel is carrying out the evacuation without waiting. Command posts and olive-drab pillboxes are being carted out like so many toys.

According to Israeli officials, within two weeks most of the evac-

uation will be finished, although troops will remain in the field until there is a final agreement, and Israel still has to complete the transfer of civilian government to the Palestinians. Later this week, the first Palestinian policemen are due to arrive and take up their duties.

Only two months ago, Israel was saying it would not even begin the evacuation until all the papers were signed. But now, it appears most of the work will be done before the documents. One purpose of the rush is to inject some momentum back into the Gaza-Jericho process after the interruption of the Feb. 25 Hebron massacre. Also, last week's

killings of six Fatah activists in Gaza by Israeli troops cast a pall over popular sentiments here.

Last spring, Israel repatriated deportees from the 1970s and early 1980s, but many of them were older leaders who left before the intifada. On Tuesday, both here and in Jericho, Israel brought back street leaders of the revolt, who still carry influence. Although no one is sure what role they will assume, some Palestinians believe they will help bridge a gap between the youth still on the streets and the older leadership of the PLO in Tunis, many deportees worked for the PLO there during their exile.

CHINA: Arrest Puts U.S. on Spot

Continued from Page 1

to the Foreign Ministry and sought additional information on his status.

"If the report is true, we regret that the Chinese have taken this step," an embassy statement said. "To the best of our knowledge, Mr. Wei has only made use of the universal right to freedom of opinion and expression as set forth in Article 19 of the Universal Declaration of Human Rights."

From Beijing's point of view, a free and outspoken Mr. Wei poses a major threat. More than anyone else, the electrician-turned-activist has become the focal point for many democracy activists.

"We want to raise one flag and come up with one leader," said a dissident who was released from jail last fall and is based outside Beijing. "We think Wei Jingsheng is the most appropriate person."

Since his release from nearly 15 years in jail in September, Mr. Wei has met with other activists, granted interviews to foreign journalists, and written pro-democracy articles for Western publications.

In an article for the Hong Kong-based Eastern Express earlier this year, he said using "persuasion and

education" to change China's attitude toward human rights was like a lamb trying to reason with a wolf.

"It's not that the wolf doesn't understand reason, but rather the he isn't interested in discussing reason," he wrote.

The Chinese government faces series of anniversaries in connection with the democracy movement between now and June 4, the fifth anniversary of the Chinese Army crackdown on demonstrators.

Amid widespread discontent over unemployment, rising inflation and corruption, officials are afraid that any commemorative incident could explode into large-scale protest.

Because there is no concept of the presumption of innocence in the Chinese judicial system, it is likely that the next step would be for Mr. Wei to be charged, tried and sentenced to jail again.

Some analysts pointed out the wording of the Xinhua dispatch on Tuesday left some room to maneuver because Mr. Wei has not been charged with any crime.

"They're going to wait and see how Clinton reacts," said Mr. Munro. "If he rolls over and plays dead, they'll say he has committed criminal offenses."

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ITALY: Berlusconi Halts Talks

Continued from Page 1

of emergency and democracy itself is at risk. Because the core of all this is that a party that is only one man can control television. And who will control the controller?"

Mr. Berlusconi owns three private television networks that draw almost one half of Italian viewers. The networks played a central role in an electoral campaign that lionized Mr. Berlusconi as the sole dominant personality of Forza Italia, which was founded only three months ago.

Mr. Berlusconi responded angrily to Mr. Bossi, even though he did not mention him by name when he spoke to reporters in Milan. "This is treachery. And what is happening is a scandal to me," he said, accusing Mr. Bossi of "treating the electorate like goods to be bought and sold."

On hearing of Mr. Berlusconi's announcement, Mr. Bossi seemed somewhat dismissive. "This is rather strange," he said. "I think he has lost his nerve."

Even if the break between the two men does not mean the collapse of the rightist alliance, it underscores the abiding personal animosity between them and the political differences that make it difficult to see how they would work in tandem in a government.

Mr. Berlusconi raised the possibility of parliament being unable to

produce a majority government — a potential nightmare for Italy at a time when its political old guard, the nation's glue for over 40 years, has crumbled while its putative successors have fallen into dispute.

"If parliament, ignoring the outcome of the elections and ignoring the emergency this country, withholds its confidence, then the only thing will be to go back to consult the voters immediately," he said.

Apart from the personal differences between Mr. Bossi on the one hand and both Mr. Fini and Mr. Berlusconi on the other, the three are split on ideological lines.

Mr. Berlusconi denied that he had ever proposed himself as prime minister but said, "I would have no problem in standing aside if my candidacy were an impediment."

Attack on Police in Corsica

Reuters

AJACCIO, France — Three policemen were treated for shock after a hand grenade thrown from a passing car exploded outside a police station in the Corsican town of Bastia, the police said Tuesday. Six cars in the parking lot were damaged in the attack, which occurred Monday night before the last of 14 Corsican separatists detained last month was flown to Paris.

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Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

Algerians Need Dialogue

Beware of "enlightened" military coups. Two years ago, with a militant Islamic party poised to win parliamentary runoff elections, Algeria's army struck, canceling the vote, rounding up Islamic politicians and imposing an army-backed dictatorship. The West, led by Algeria's former colonial ruler, France, put its fear of Islamic radicalism ahead of its commitment to democracy and wished the soldiers success. Instead Algeria plunged into an abyss of terrorism and civil war with no end yet in sight. More than 4,000 people have been killed and many thousands imprisoned. Tens of thousands have fled abroad, mainly to France.

It should have been clear two years ago that an Islamic movement supported by millions of voters could not simply be crushed by military force. It should be even clearer today, but the middle ground for potential compromise has been much reduced.

Algeria's secular socialist regime was shocked by the success of the Islamic Salvation Front in first-round parliamentary elections in 1991. Low turnout and electoral fraud rules guaranteed an Islamic majority in the runoff. Wisely but in vain, then President Chadli Bendjedid argued that the runoff should proceed. His idea was power sharing, with a secularist president guaranteeing basic

rights and the Islamic Front operating within constitutional rules. It might not have worked out smoothly, but it would have honored the democratic process, and it could not have been worse than what happened after the coup.

Two years of violence have strengthened hard-liners on both sides. With top leaders of the Islamic Salvation Front in jail, the more radical Armed Islamic Group has launched a new wave of terrorism aimed at foreigners, unveiled women and even Islamic leaders who favor negotiations. Meanwhile, top army leaders oppose calls by President Liamine Zerroual for a compromise peace.

France last week withdrew most of its teachers and technicians. Fearing the establishment of an Islamic republic just across the Mediterranean and the resulting flood of refugees, it has been urging Japan to increase economic aid to Algeria, hoping to shore up the military regime. But any such aid should be conditional on dialogue. The only choice left is between trying to negotiate with the Islamic Front and letting power shift in the streets to the Armed Islamic Group.

There were better choices two years ago, but Algeria's generals and their Western backers were not interested. Are they now ready to learn the lessons of that disastrous mistake?

—THE NEW YORK TIMES

Consensus on Population

In September the United Nations will convene a huge international conference on population and development, for which planning has been under way for years. This week the final preparatory meeting for the conference, which is expected to produce consensus on about 90 percent of the matters to be taken up in Cairo, is being held in New York. Considering the diversity of the participants—including governments, international organizations and hundreds of private, nongovernmental organizations—it is remarkable that consensus on this issue, involving deeply held views on family, gender and religion, is a realistic goal.

The problem is easily stated: World population growth rates have descended from their peak in the '60s, but if current rates continue the world's population, now 5.6 billion, will double in less than 50 years. This has an enormous impact in the developing world, where resources will not keep up with demand.

The United States alone now spends about \$500 million a year on international family planning programs. The worldwide total is \$4.6 billion. But this effort is clearly not enough if sustainable development is to be achieved. It is expected that most of the Cairo conference will agree that the primary goal of international efforts must be to provide family planning services to the millions of couples who want but do not now have access to them.

At either end of the spectrum are groups with a different emphasis. The Vatican and some of the more conservative Muslim countries, for example, oppose contraception and

alternatives such as abortion and voluntary sterilization. A generation ago that position had more support than it does now. So while religious groups have every right to press their agenda and try to persuade other conference participants, it is unlikely that they will be able to derail current programs or block needed expansion. Feminists and other participants, on the contrary, will be pushing for a much broader effort designed to deal with issues outside the traditional service-provider model. They believe—and they are right—that the world must pay more attention to women's reproductive health matters in general. They emphasize prevention and treatment programs related to sexually transmitted disease and AIDS. They deplore the condition of women in many parts of the developing world and denounce barbaric practices such as female genital mutilation. They want to devote more resources to the education of girls, which is a certain route to smaller families and improved status for women.

The only problem for the conferees in addressing these admirable objectives is money. The pie is not yet large enough even to cover family planning needs. Everyone can agree that progress should be made on all fronts, but the delegates will be debating not only the need for more resources but also the priorities that must be set in light of current limitations. The New York sessions will focus attention on these goals and should provide momentum toward achieving them.

—THE WASHINGTON POST

Foreign Policy Spokesman?

Even as they edge toward the peace table, Bosnia's Serbs continue to kill people in the course of grabbing further territory and "cleansing" it of non-Serbs. These atrocities are going on now in several cities, including Gorazde, a town, mind, that the United Nations Security Council has designated as a "safe area." And what is the American response to the possibility of saving mostly Muslim Gorazde and Prijedor, also under siege, from this fate? Says Secretary of Defense William Perry: "We will not enter the war to stop that from happening."

From an earlier exchange with the secretary, we are aware that he sees virtue—in winning public confidence, to prevent "mission creep"—in being explicit about American political and military means in Bosnia. But we continue to feel that he is taking an otherwise commendable devotion to transparency to uncertain lengths. The United States cannot count every vote cast by Serbs or others. But, as a global power on whose policy others nations calculate their own, it cannot afford to leave the impression that avoidance of force is more important than repudiation of the act. Such an impression converts a free pass for one misdeed into an invitation to the next. Could not Mr. Perry suggest, for instance, that "eth-

nic cleansing" is abominable? That Serbian defiance cannot fail to affect consideration of what is due Serbia in a peace settlement and of when sanctions should be lifted?

Part of the trouble here lies in the fact that, on this issue and some others, Defense Secretary Perry is speaking in something of a Clinton administration vacuum. He has an undeniable knack for policy explanation, and in his short term as Pentagon chief he has become the administration's most resonant voice on the always acute subject of the military implications of American diplomacy.

Nor has he confined himself to the military implications. In remarking on future U.S. policy in Somalia, for example, he told NBC News on Sunday: "I cannot imagine the political circumstances which would allow us to motivate us—to go back in and rescue Somalia again." It was a major policy statement of the sort that ordinarily would be made by the secretary of state or the president himself. President Bill Clinton is entitled to organize the functions of his government as he chooses. If Secretary Perry is to become a ranking foreign policy spokesman, however, he will be judged by the standards that normally apply to that crucial job.

—THE WASHINGTON POST

Other Comment

To Secure Post-Cold War Gains

I was called back from California before the Cuban missile crisis had been announced to the public to examine the data on Cuba to try to understand what it all meant. In the weeks after that, we approached a nuclear confrontation between the United States and the Soviet Union. It was my opinion that we were probably going to a nuclear war, and it was only with enormous relief a few weeks after that that we were relieved of that catastrophe. I have lived my entire adult life with a threat of a nuclear war hanging over my head. That cloud has been lifted with the end of the

Cold War, but it truly is a precarious lifting. What Russia and some of its neighboring states are trying to do today in terms of reforming their political and economic system has a very uncertain outcome.

There are 25,000 nuclear weapons still in Russia. It seems to me our first objective is to nail down the gains achieved with the ending of the Cold War and with the lifting of this threat of a nuclear holocaust. The best way we can do that is to help the Russians in the dismantling of these weapons, help them in the conversion of their defense industries, help them in the reform of the former Red Army.

—U.S. Defense Secretary William Perry quoted in The Washington Post

Rebuilding Before the Nightmare Is Over

By Iain Guest

SARAJEVO — After a nightmare winter, spring has finally come to Sarajevo, bringing with it earnest talk of reconstruction.

A joint British-American team is here assessing damage to the infrastructure. Prime Minister John Major and his overseas development minister came to study the problem, and Britain has pledged \$18 million to help. The French are worrying aloud that their companies may miss out on lucrative contracts.

Reconstruction, especially after a war like this, is a long and hugely expensive process that requires careful handling. Done well, it could begin

Serbs and Muslims drink the same water, burn the same gas, use the same electricity.

to heal the ethnic wounds and even reunify the city. Mismanaged, it could accelerate "ethnic cleansing" and perpetuate divisions.

The job will be enormous. Self-help and a remarkable UN relief operation have prevented mass starvation, but two years of siege have caused untold damage. Vast numbers of buildings, roads and bridges need repair. About half the city's hospital capacity has been lost. Sixty percent of the water system has been damaged. Sewage has backed up, causing hepatitis. All but six of the city's 34 garbage trucks have been destroyed.

The British-American team puts the immediate cost of reconstruction at \$275 million. The Bosnian government's estimate is \$3 billion.

The human toll, of course, is even more disturbing. According to the nongovernmental group Doctors Without Borders, 5,200 Sarajevans have been killed during the siege, and more than 15,000 have been wounded. The list of the vulnerable seems endless: the 600 amputees, the rape victims, the broken families, the disturbed children. People's fierce determination to survive is giving way to anguish and bereavement. Never was a people more in need of sustained help.

Nimble footwork will be needed if the United

Nations is to mount the proper response. Somehow, development must begin even as the humanitarian emergency continues.

A new, weakened Bosnia will be unable to afford the heavily subsidized health system enjoyed by Yugoslavia before the war. The government's hopes of expanding primary health care could be undermined if the lifting of the siege opens the way to a flood of inappropriate drugs and expensive equipment. Careful coordination will be most important.

But the main risk is that the reconstruction of Sarajevo will proceed in the absence of a comprehensive political settlement for all of Bosnia.

The outlook in the eastern enclaves of Srebrenica, Gorazde and Zepa is grim. Gorazde is again under siege. In Banja Luka, deep in Serbian-held territory, the rape and murder of Muslims goes on daily. Muslim families are afraid even to seek UN safe havens for their children.

The UN special envoy, Yasushi Akashi, and his military commander, Sir Michael Rose, have negotiated an agreement to open three local roads and a bridge in Sarajevo, a limited step toward freedom of movement and restoration of commercial traffic.

But it is a race against time. Authorities in the Serbian-held suburb of Grbavica have threatened to expel remaining Muslims if Serbs are not permitted to leave Sarajevo. Several Serbian doctors caught trying to escape from Sarajevo recently were beaten and jailed.

This raises the specter of what UN officials term the "Bosnia nightmare"—a permanent division of Sarajevo on ethnic lines, patrolled at great cost by the United Nations.

Reconstruction and politics necessarily overlap. The key to Sarajevo's recovery lies in its utilities—water, gas and electricity. But all the main sources lie outside the city and pass through Serbian lines. Technicians say the only viable solution is to restore utilities to their unified prewar state. This means refitting the city's main water-pumping station at Bacevo, in

Serbian-held territory, as well as the city's pipes and reservoirs, held by the government. Reintegrating the city's utilities would benefit not just Sarajevo but the Serbs in suburbs like Grbavica.

But self-interest has taken second place to ethnic hatred in this war. The Serbs have blocked food, turned off water, reduced gas pressure and denied fuel to Sarajevo—knowing that the Serbian suburbs would also suffer.

The Bosnian government followed suit. It threatened to shut off gas to its own people in deepest winter in hopes that international outrage would force the Serbs to increase gas pressure. It refused to release badly needed water from an expensive U.S.-provided water treatment plant. One of the motives may have been to preserve the powerful image of Sarajevo or for Bosnia as long as this sort of mentality prevails.

Will peace be different? A senior UN official will shortly be appointed to coordinate reconstruction in Sarajevo. To be effective, he or she will need to be polite but firm—both with the city government and with aid donors. Aid must be used responsibly and directed to real needs.

But the real challenge will lie with the Serbs. Somehow, the Bosnian Serbs must be co-opted into rebuilding the city they destroyed, while being pressured to open up the eastern pockets and end the shoggy in Banja Luka. There should be no aid for Bosnia's Serbs and no lifting of sanctions on Serbia until they make a commitment to a reunified Sarajevo and to minority rights. To this end, the UN Security Council should consider deploying human rights monitors in the Serbian-held areas—something that should have been done when the fighting began.

The Serbs and Muslims of Sarajevo drink the same water, burn the same gas, use the same electricity. Peace, in the long term, can only be a cooperative venture.

The writer is assessing the UN relief operation in former Yugoslavia for the Washington-based Refugee Policy Group. The views expressed here are his own. He contributed this comment to the International Herald Tribune.

A Reconstruction Job for Italians, But Where Are the New Tools?

By Marino de Medici

WASHINGTON — A funny thing happened to Italy's "progressives"—the old Communists and their new fellow travelers—on their way to the modern Forum, Italy's parliament. They were trounced by a party that is not a real party and did not even exist three months ago.

Forza Italia (Go, Italy), the political movement created overnight by Silvio Berlusconi, the Milanese entrepreneur, won a relative majority. This is a stunning repudiation of the system that had ruled Italy for almost half a century. The Communists were the last part of that system still standing. They had widely been expected to win. But they lost big.

There is only one explanation for the sudden reversal of their fortunes. Italian voters, in their wisdom, correctly ganged the ex-Communists for what they are, a party that lives off the central welfare state and peddles the discredited fiction of bureaucratic regionalism.

Italians saw through the ex-Communists' new cover of progressivism and pegged them as the carriers of the very ideas and practices that had foisted corruption, patronage and inefficiency in the First Republic. Far from being a progressive party, the Communists, renamed Democratic Party of the Left (PDS), stood for maintaining big government—that is to say, the old system. They were thus a conservative party.

Whatever the future may bring, the Second Republic will be sharply different from the tired old bureaucratic machine that took from the general public and gave to the well-connected. This system was authoritarian and thus unresponsive to the needs and rights of the citizens, and it was incapable of satisfying legitimate demands with a minimum of fairness and effectiveness.

The electorate showed that it has had its fill of the finely practiced art of "consociativismo," the shameful "consociation" of the major parties. By that Machiavellian device, the

various parties of the political spectrum—from the Communists to the rightist "currents" of the Christian Democratic Party—engaged in spiraling political warfare on the public scene, while carefully sharing the spoils of power among themselves in what Americans used to call the "smoke-filled rooms." The charade is over, as the Italian voters have made it unmistakably clear that this system's practitioners, including the Communists, are the past and not the "progressive" future.

Why did so many American observers not see what Italian voters saw? True, the Italian Communists promised to be good NATO allies, good members of the European Union and good economic and financial partners. Their representatives went to Washington in a steady stream to give words of assurance and pledges of cooperation, in a well-rehearsed show of reliability.

For some American observers, the choice seemed easy: Since Forza Italia had shaped a coalition with the former fascists, it had to be rejected outright. Unlike the Italians, those Americans did not realize that while fascism died 45 years ago, the Communists were bidding to consolidate a formidable power base in the country. Italian voters said "no" to that.

The future of Italy will unfold with political and constitutional reforms (on a federalist model, to begin with), the search for more advanced forms of solidarity, and a new relationship between the citizen and the state. Forza Italia may not be the answer to these pressing questions. It is a heterogeneous bunch, but it is certainly better equipped—intellectually and technically—to open up new avenues for the establishment of a truly modern Italian state.

The Communists did not recognize or did not want to accept the fact that the old Italian national state had ceased to exist as a structure that served the political class rather than the citizens. The hope now is that out

of the shambles of the ancient order, a new political structure may develop, based on real alternatives of good government and led by men of keen vision and intellectual honesty rather than invertebrate political tacticians. No matter how difficult the shaping

of a government coalition, the Italians have taken a big step forward.

The writer is Washington correspondent for the New York Times. He contributed this comment to The Washington Post.

A Balancing Act for Parties of the Left

THERE IS another lesson from Italy about the difficulties facing parties of the left: They need to prove they can change countries from the inside out without threatening to turn them upside down. It is a hard line to walk. If left-of-center parties promise too much change, they scare people. If they look too responsible, they start resembling the status quo. Italy's former Communists managed to commit both errors at the same time.

The ex-Communists had united practically all left-of-center Italy behind a program dripping with sobriety and responsibility. But Silvio Berlusconi brought the neofascists and the separatists behind his leadership and drove home a message of buoyant optimism. The left never recovered.

It was so afraid of seeming irresponsible that it looked down and timid beside Mr. Berlusconi's optimism. The Communists played Jimmy Carter to his Ronald Reagan.

The ex-Communists got into the preposterous position of being cast not as the party of change but as representatives of the old system. The ex-Communists' alliance included their old hard-liners—and so they got nailed for some of the left's unpopular views, especially on taxes.

Italy's new rightist populism can be scary. But as Italian progressives discovered, politicians of the center and left who run as the last defenders of the welfare state and the sober friends of modestly active government will lack the dynamism to meet this new right on equal terms.

—E. J. Dionne Jr. in The Washington Post

Slain in New York, Slain in New York

By A. M. Rosenthal

NEW YORK — Crime is going down in New York City. Crime is going down in New York City. Crime is going down in New York City. The police tell us so.

Say it out loud a few times yourself and one of two things will happen. You will get a chuckle from anybody who hears you. Or you will begin to believe it.

That's the tricky part. You may talk yourself into going for a walk in Central Park as night falls. Or, if you are a mother in a housing project, you may tell your kids that those loud cracking noises are cars backing-frog go play in the street.

The police say violent crime declined last year by 4 percent overall in seven major categories. A police spokesman says the department is "very pleased with the trend." The implied journalistic attitude is that the public is wrong because it has this crazy "perception" that the city is more violent than ever.

I doubt that many New Yorkers share any sense of pleasure. New Yorkers know that the figures are so desperately high that a drop here and there does not change the reality or quality of life in New York nor the accurate "perception" that the city continues to be unforgivably dangerous.

That is what police officials should be saying—or yelling. New Yorkers know that if crime continues anywhere near as high it will destroy New York's hope of remaining a place where people want to live, work, play, visit and create. Right now, a case can be made that life in New York City is more

at risk than in some of the world's most ugly city wars.

The report said that murders in the city were 2.5 percent fewer than in 1992. In the same day's paper was a dispatch from Haiti saying that 50 or more bodies were turning up in the country's capital every month, victims of a bloody wave of terror. If New York ever reaches that level of murder, the city will proclaim fiesta time. A 2.5 percent "drop" since 1992 brings murders to 1,946, about three times as high as in Haiti after, and 1,500 by gosh.

New York's murder total also turns out to be the number of people killed in each of the last two years in the civil war that is tearing apart Algeria.

In the 1930s and '40s, New York had about 300 murders, one-fourth by gunfire. The truth is that the streets have not been safe for non-criminal citizens for a quarter-century, when drug-induced murders, robberies, burglaries and other violence started the crime explosion.

Plainly, something important is going on in crime analysis. Crime is so dominant that New Yorkers are supposed to be pleased—at least not outraged—when the figures show that their city has close to 2,000 murders a year, 86,000 robberies, 112,000 car thefts and 99,000 burglaries.

They take us for fools, people who say New Yorkers should think we are making progress when only about 35 people are

murdered every week and we are down to about 1,600 robberies Sunday through Saturday.

But they are right; we are fools. We spend on tax money we have to spend on law enforcement, from street to court to prison. We permit perversion of our legal system by prosecutors and judges who bargain thousands of violent-felony pleas down to save court time. We begrudge money spent imprisoning criminal addicts and money to make prison at least of some use—no drug therapy, no parole.

We insist that the mayor has to cut the police if he wants to cut other departments. Yet, it does cost lots of money for lots of police to find and arrest criminals, but not nearly as much as the price of their marauding.

Senator Daniel Patrick Moynihan has written about an American disorder, "defining deviancy down." That means coming to regard as acceptable actions we once regarded as acutely offensive, immoral or illegal. To me, that means a cop who sees a street drug deal and walks away, or a judge who bargains down a confessed killer's sentence.

Now, in the land built on democratic law and order, we are defining down not just criminal deviancy, but our own hopes and rights to public safety, the most elemental of democratic rights.

In New York, every day 1,600 crimes against people and property take place—those that are counted. If that is progress, then God help the city of New York.

The New York Times

In Japan, No Longer Far Away

By Otto Lamsdorff

TOKYO — How far away Japan is, many of us used to think back in 1974, when the Trilateral Commission held its inaugural meeting in Kyoto, with the explicit goal of including Japan for the first time as a full-fledged partner in an international debate that had long been confined to America and Europe. How close Japan has become since then.

Closeness is often synonymous with quarrels. And trilateral relations today—barely four months after the conclusion of the Uruguay Round of multilateral trade liberalization talks—seem dominated again by severe strains on the trade front.

Between Japan and America in particular, these tensions have taken on the proportions of a full-blown family feud—a feud in which both sides' bluntness gives a paradoxical measure of just how deep the economic, political and human interpenetration among our three regions has become. But then, what of Europe and the Europe-Japan relationship in all of this?

We Europeans tend to marvel at the creations of Japan's ancient past, and we rejoice over the feats of the Meiji Era. It's time we devoted the same attention to post-1945 Japan.

In the last two decades, the European political and business community has largely overlooked the special role of East Asia and of Japan in the region. It has overlooked the opportunities offered by the dominance of Japan's exports in much of Asia; many countries resent Japanese exclusivity and would like to diversify their trading partners. More important, Europe has tended to overlook Japan's long-standing drive toward greater productivity.

The result is that the European-Japanese relationship has often been seen as the weak side of the triangle. Indeed, foreign direct investments between the European Union and Japan amount to less than 5 percent of the total flow of investments among the three regions. Europe's trade deficit with Japan remained at a preoccupying \$26.3 billion last year, despite a slight reduction due largely to the European recession.

Thus, to a large extent Europe shares the frustrations vented by the Clinton administration and supports American calls for more open Japanese markets.

But many of us in Europe question the noisy and highly unilateral approach often favored by our American friends these days to achieve this end. To overcome our present difficulties, we need urgently to:

• Turn down the volume. Although much remains to be done, the fact is that Japan's markets are much more open than is commonly thought. To find a way out of its economic predicament, Japan is already having to reform its business and social laws in the Western direction, however gradually.

• Return to multilateralism. It might appear that strong-arm, unilateral tactics hold more chance of yielding immediate results. Yet in the long run these can only be self-defeating and inflict fatal damage to the international trading system.

It is particularly shocking to see separate agreements between the United States and Japan—the semi-conductors deal, for example, and the Motorola deal—being struck at the expense of third parties. Not only does this fly in the face of the painstakingly formulated rules of the General Agreement on Tariffs and Trade, it is utterly inconsistent with any reasonable exports strategy.

What we now need, perhaps more than ever, is a "quiet forum" such as former President Jimmy Carter has thoughtfully recommended (ITF Opinion, Feb. 19). He was thinking of the U.S.-Japan Economic Relations Group, a small private grouping blessed by both governments, which did wonders in the '70s to lessen trade frictions. Such a forum, established on a trilateral and not a bilateral basis, could help us today.

The epochal changes of the last few years have not altered the fact that North America, Europe and Japan, with two-thirds of the planet's production, form the incontrovertible engine of world trade. As such, a trilateral framework of cooperation, gradually enlarged, remains the key to sustaining the welfare and security of all our peoples.

The writer, a former economics minister of Germany, is chairman of the European branch of the Trilateral Commission; the commission's plenary session for 1994 begins Friday in Tokyo. He contributed this comment to the International Herald Tribune.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1894: Desperate Mobs

NEW YORK — Howling, desperate mobs of strikers, composed largely of Hungarians, are parading the Pennsylvania coke regions near Pittsburgh. Ten thousand tons of coke have been destroyed by the strikers, together with the storage wagons and warehouses. Perhaps the most peculiar feature of the situation is the part played by the women. Bands of them are going about inciting the strikers to acts of violence; and there were several cases of non-union men having been set upon by women and left senseless after the attack.

1919: Socialist Unrest

PARIS — The recent acquittal by a Paris jury of Villain, who shot M. Jean Jaures, the Socialist orator, has caused a great deal of unrest and dissatisfaction in Socialist and working-class circles. The labor party looks upon Villain's acquittal as a class verdict. A big labor gathering

has been arranged for to-day [April 6] as a protest against the acquittal of Jaures' assassin. A delegation will call upon Mme. Jaures and her daughter at the Villa de la Tour, and at La Muette flowers will be placed in front of the bust of M. Jaures.

1944: Japanese Advance

NEW DELHI — [From our New York edition:] Increasing their pressure along the entire 200-mile India invasion front, Japanese forces have seized a fifteen-mile stretch of the Imphal-Kohima highway and are thrusting through the wild Naga Hills above Kohima within eighty miles of Dimapur on the Bengal-Assam Railway. American Army-operated lifeline into upper Burma. Japanese units previously were reported to have cut the sixty-mile road between Imphal, capital of Manipur State, and Kohima to the north. But today's [April 5] advances gave the first indication they had consolidated their hold on that supply link.

International Herald Tribune

ESTABLISHED 1887

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Directeur de la Publication: Richard D. Simmons

International Herald Tribune, 181 Avenue Charles-de-Gaulle, 92521 Neuilly-sur-Seine, France.

Tel.: (1) 46.37.93.00. Fax: (1) 46.37.06.51. Adv.: 46.37.52.12. Internet: IHT@eurocom.fr

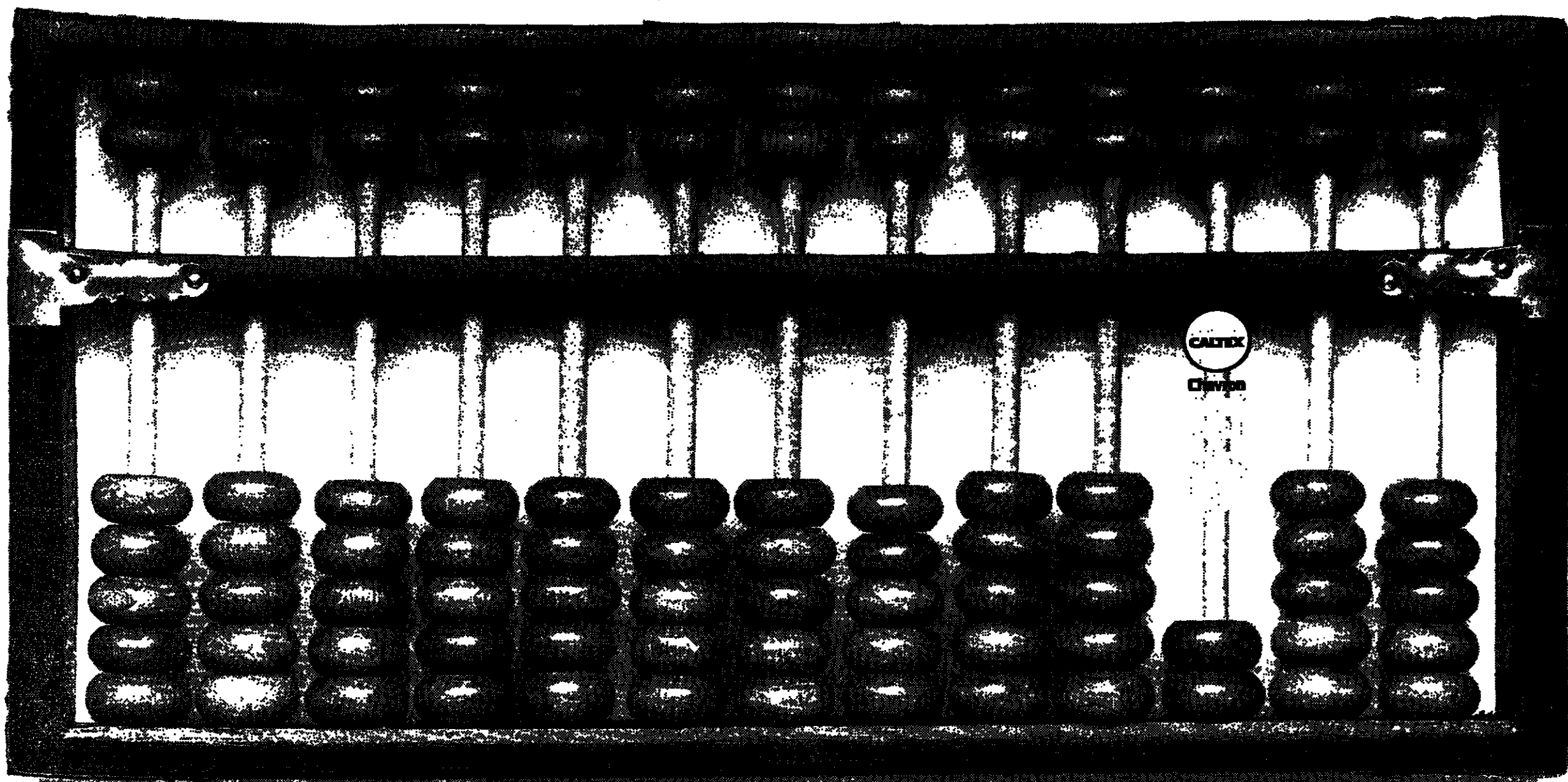
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Gen. Mgr. Germany: W. Lütkebach, Friedrichstr. 13, 10117 Berlin. Tel. (49) 30 26 67 53. Fax: (49) 30 26 67 53

Printed in the U.S.A. by The New York Times Co., 600 Third Ave., New York, N.Y. 10016. Fax: (212) 753-4000

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POPULATION: YOUNG, MALE AND MOBILE

CHINA'S 1.17 billion people account for between a fifth and a quarter of the world's population. These are people on the move, according to population expert Ron Skelton of Hong Kong University.

According to Mr. Skelton, 100 million people are on the move at any given time within China, as the rural poor move from the countryside to the urban areas in search of work. This huge migration comes as China is learning to live with the consequences of its very effective birth-control programs.

After the first two decades of Communist rule forced down mortality rates, the 1970s and early '80s saw a dramatic decline in fertility as China became more affluent and more women entered and stayed in the labor force.

In the 1990s, according to Mr. Skelton, the hallmark of that population is "migration - unquestionably." He, like others, however, is keen to point out that this is not the only feature of note. "It's not a nice neat picture," he says of China's demography.

What China's mass internal migration will mean is still uncertain, but there are already some pointers to the likely consequences.

The population will become increasingly urban. Official statistics from 1992 already show an urban-to-rural ratio of 26 to 74. In addition, some 470.2 million people, or just over 40 percent of the population, live in the coastal provinces. The cities and the coastal areas are magnets for migrants.

This pattern can be summed up as "rural to urban and urban to urban," the latter meaning the move from smaller cities and towns to bigger cities.

Hong Kong businesspeople say that 10,000 people a day are trying to get into Guangzhou. They point out that 15 years ago, Shenzhen, the first special economic zone, was a small town of 30,000 people. It is now a metropolitan area of 3 million.

Says Mr. Skelton: "Suddenly, the dam has burst, and China is joining the rest of the developing world. Never has a nation modernized without mass migration."



The services spectrum is wide, ranging from street barbers to hotel health clubs.

DEALING WITH A TRULY MASS MARKET

CHINA'S consumer market offers a huge opportunity with no limits on the products that can be introduced there, according to David Bottomley, managing director of Asian Commercial Research. He warns, however, that investors must undergo some "unthinking" or shedding of certain assumptions about emerging markets, before entering it.

Other experts point out that while the Chinese market will show an upward trend for some years to come, it is not without pitfalls. "Foreigners have to be very careful," says Mary Wong, assistant executive director of the Hong Kong Trade Development Council. "There are certain phenomena they should watch out for."

The basic advantage of the Chinese market is not so much its scale as the level of its potential pent-up demand. This demand is backed up by real wages that are increasing sharply in the urban centers as gross domestic product grows by around 12 percent a year.

Even in the rural areas, which are often poor and underdeveloped, there is some effective demand because basics like accommodation and health care are provided by the local work unit, leaving cash earnings to circulate. With 800 million people living in the rural areas, this is a less-well-off but still lucrative mass market - for the right product.

It is the 340 million people who live in the thriving urban centers, however, who are the mainstay of a retail sector that Hong Kong Trade Development Council figures show grew by 16.8 percent, to 1.1 trillion yuan (\$127 billion), in 1992. The council estimates that this trade increased by 24 percent in 1993.

This market is not homogeneous, and can be characterized as akin to those of Australia and the United States in the early years of the post-World War II consumer boom. There is pent-up demand for everything.

China, however, has a crucial difference. As Mr. Bottomley points out, "Everyone has television, so the vision of what life is like with a lot of consumer products is already there, as is the idea of respectability of money and possessions."

What, then, are the products this increasingly affluent urban market is eager to buy? Analysts point to two distinct trends. First, there is a move away from basic consumer goods such as refrigerators and TVs; in the

southern and coastal areas these are already replacement markets. According to

eltry, pens, handbags and accessories. Brand names, however,

Easy-to-care-for polyester garments could be big sellers in Beijing

a Hong Kong Trade Development Council report, the next level of consumption will be "luxurious products and services." These are listed as "VCRs, large-screen TV sets, air conditioners, telephones, modern equipment for kitchens and sanitation items." Another sector that will "sell well" includes high-grade garments, food products and cosmetics.

The second trend is the willingness of Chinese consumers to pay higher prices for imported and joint-venture goods. Items that do well in this category are high-quality clothes and gift and travel items such as jewelry, pens, handbags and accessories. Brand names, however,

are the key to success with ambitious young private entrepreneurs who are looking for outward signs of their success. This is, in effect, an infant conspicuous-consumption market.

One of the best ways to become established in the market, say analysts, is to manufacture goods in China via a joint-venture company. Cheap labor can be utilized, and the problems of transportation are avoided.

The allure of foreign goods is nonetheless strong enough to encourage one Hong Kong men's clothing manufacturer, Goldlion, to produce in China, export to Hong Kong and re-export to China. "All in the hope of giving ties the right image," says one expert, who asked not to be named.

Mrs. Wong adds that easy-to-look-after clothes made from polyester or polyester mixes would sell well in the northern cities. M.M.

Demographic studies suggest that China's market

will favor youth-oriented products for many years to come.

Official statistics show that in China, the number of mothers with children under 30 months - around 56 million - is equal to the population of Britain, says market researcher David Bottomley of Asian Commercial Research.

That youth segment, however, has yet to make its real presence felt. Experts point out that constant large numbers of young people entering the population will work against the graying of China's population.

"Demography will prevent the emergence of gray power in China," says Mr. Bottomley. He suggests that the market will favor youth-oriented products for many years to come.

China has a small urban infrastructure at the moment, both in terms of the number of cities and the facilities in them. There is major concern about the ability to cope, simply because of the potential size of the cities.

Another imbalance that will become more and more apparent is the increasing male dominance of the younger population. It has been noticeable for some years that more males were being born than females.

China could well find itself dealing with a very distinctive and high-profile set of urban problems for most of the 21st century.

Michael Mackey



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THE BASIS OF CHANGE: REFORMS

Continued from page 11

terprises. Millions of newly out-of-work former state employees could trigger social unrest.

Central leaders, who regularly stress that stability is more important than anything else, already this year have re-established price controls on many daily items and exempted state enterprises from contributions to funds for construction of energy and transport projects.

"A lot of reforms are being pushed into the future as the leaders concentrate on immediate problems, namely social unrest," says Mr. Perkin.

If state enterprises are not forced away from the public trough, it will be impossible to fully implement banking reforms.

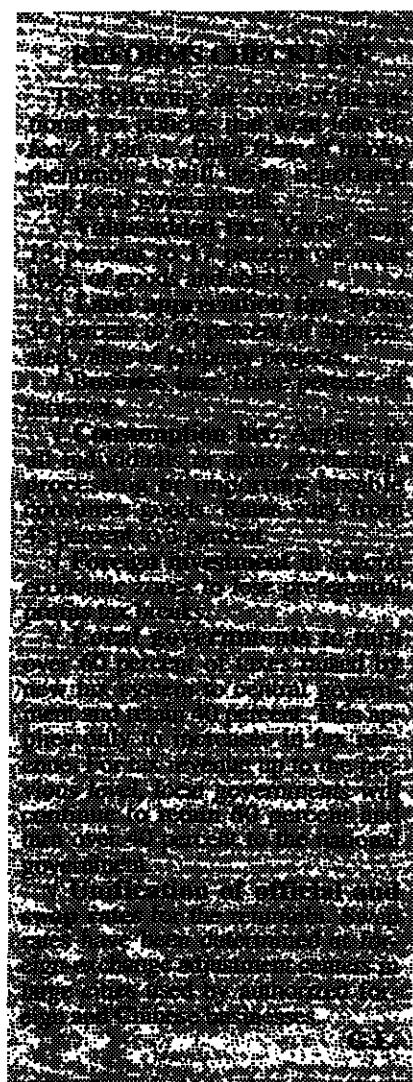
These reforms are designed to end the system in which banks were obliged to loan money to central and local government officials to support companies owned by the government.

Most banks are now to lend money purely on a commercial basis, leaving government-directed loans to so-called policy banks.

Richard Wong, director of the Hong Kong Center for Economic Research, says it will probably take time for government officials to resist the temptation to bully banks into providing loans. Another problem is that many of the loans already made to loss-making enterprises will have to be written off.

"With a balance sheet of bad debts, it will take a long time before banks have the resources to lend on a commercial basis," says Mr. Wong. "Nothing is going to change very dramatically in the next year."

An important part of monetary policy is the move to finance the budget deficit by selling bonds instead of by printing more money, which pushes inflation even higher. The government



has had to force workers to buy bonds in the past.

China also wants to take the central bank, People's Bank of China, out of the lending business to let it concentrate on monetary issues.

Reform of the foreign-exchange system will rationalize and tailor the system to the market, boost Chinese exports, encourage foreign investment and "serve as a useful first step to full convertibility of the renminbi," according to a study by the Hongkong Bank.

The bank says the risks of the reforms are higher than they would have been several years ago, when the swap rate was stable and there was little disparity between official and swap rates.

One of the main steps of the reforms was to abolish the official foreign-exchange rate and instead use the rate at swap centers that are used by authorized domestic and foreign businesses.

Tax reforms initiated on Jan. 1 are badly needed to let Beijing regain control over fiscal policy and to discourage speculative investments. But they have raised resistance from local governments, which see taxes diverted from their coffers to Beijing and fear that new taxes will reduce foreign investment.

The Land Appreciation Tax threatens to curb robust foreign investment in property development by imposing taxes of 30 percent to 60 percent on appreciation of the original investment.

The value-added tax of 13 percent to 17 percent will cut into the profit margins of many manufacturers and raise prices of goods and services.

Special economic zones are to end preferential tax rates for companies with foreign investment.

Some local officials have said they will apply the new taxes according to local conditions. The biggest impact of the new taxes so far is uncertainty.

"It's now a gray area, with everybody watching to see what happens," says Masahiko Fujita, a director and vice president at the Hong Kong office of Japanese trading company Marubeni.

G.L.

BRINGING BUSINESS BACK HOME

THE first telephone in China, connecting two rooms of the Dowager Empress's palace in Beijing's Forbidden City, was installed by L.M. Ericsson in the late 19th century.

For a few decades following this auspicious debut, the Swedish telecommunications giant continued its chain of successes with a shipment of 2,000 phone sets to Shanghai in 1894 and China's first automated switchboard service in 1924.

After that, Ericsson kept in close contact with the Middle Kingdom through the long years of war and revolution, winning its first AXE public switching equipment contracts in 1981. Meanwhile, competitors invested in China, and Ericsson found itself frustrated in its efforts to reclaim its legacy as the pioneer in telecommunications in China. The great telecom prizes of the day - cellular systems and public exchanges - seemed to lie beyond its grasp.

Enter the "old China hand" consultants of XRC. The firm's three partners have roots in China as deep as Ericsson's. Principal John Hoffmann's family hails from old Shanghai; he studied Chinese politics at Harvard and worked for Rothchilds in China. The grandfather of Jay Chen, another XRC partner, was Sun Yat-sen's foreign minister. XRC's professional team brings together specialists for projects like reinvigorating Ericsson, on the theory that "the best China resources work for themselves."

Beginning in 1991, XRC completed a China assessment and, together with senior Ericsson managers in China and Stockholm, crafted a comprehensive China market strategy. Three years later, Ericsson has two cellular and three public switch joint ventures to date, plus a China holding company, and finds itself back where it started, at the forefront.

W.M.



Can you sustain the engines of growth in China without accelerating an energy shortage?

Yes, you can.

China begins to release its vast industrial potential and ABB, as a world leader in electrical engineering, is already there, working with local partners to strengthen the infrastructure and update industrial processes. The Shidongkou power plant in Shanghai uses ABB's advanced super-heated steam technology to conserve 90,000 tons of coal each year. Two new ABB gas-fired power plants going up in Guangdong province will be the highest-rated combined cycle facilities in China. ABB provides the systems technology and equipment which *distribute electricity more efficiently, too, and make Chinese industry more*

productive. Control systems, electrical equipment and drives for new aluminum and steel cold rolling mills in Fujian and Sichuan. Process control systems for modern sewage treatment plants in Shanghai. Forty ABB mine hoists already operating will soon be joined by others in Anhui and Heilongjiang provinces and an ABB Master control system to operate an open cut mine in Inner Mongolia. On Chinese railways, travelers enjoy the comfort and convenience of ABB's International Coach, a simple, flexible railway car designed for low-cost local assembly, while in the south-east region, ABB is installing a complete train protection system to automatically control speed on 300 km of track. In China and throughout the world, ABB is creating flexible, efficient local solutions to help clients respond more quickly and precisely to technological challenges. Like bringing the world's largest market up to speed without draining its energy resources.

ABB is an official sponsor of the 1994 China Summit meeting in Beijing May 11-13 1994.

ABB offices in Hong Kong and China: Beijing, Chongqing, Fuzhou, Guangzhou, Qingdao, Shanghai, Shenyang, Wuhan, Xiamen. ABB offices in Asia Pacific: Sydney, Australia; New Delhi, India; Jakarta, Indonesia; Kobe, Japan; Seoul, Korea; Kuala Lumpur, Malaysia; Kathmandu, Nepal; Auckland, New Zealand; Manila, Philippines; Singapore, Singapore; Colombo, Sri Lanka; Taipei, Taiwan; Hanoi, Vietnam.

ABB

ADVERTISING SECTION

THE NEW, IMPROVED
ADVERTISING INDUSTRY

HEADING into downtown Shanghai is like entering a corridor of conspicuous consumption. For long stretches, any view of the city is obliterated by billboards lining both sides of the road. They peddle, among other things, Italian shoes, American soft drinks and automobiles and a slew of new luxury villas catering to a rising class of wealthy Chinese.

As the country's market economy finds its legs, the advertising industry is holding aloft the banner of the new and improved China: "Buy, Buy, Buy." Chinese officials predict that advertising spending in China will reach about 30 billion yuan (\$3.5 billion) a year by the end of the decade. About 60 foreign agencies are already active in China, hoping to get a piece of the small but growing pie. One company last year forked over one million yuan to Chinese sex symbol and actress Gong Li to plug an air conditioner on television.

Outlawed as bourgeois until the start of China's reforms in 1978, advertising is becoming more sophisticated. Once-

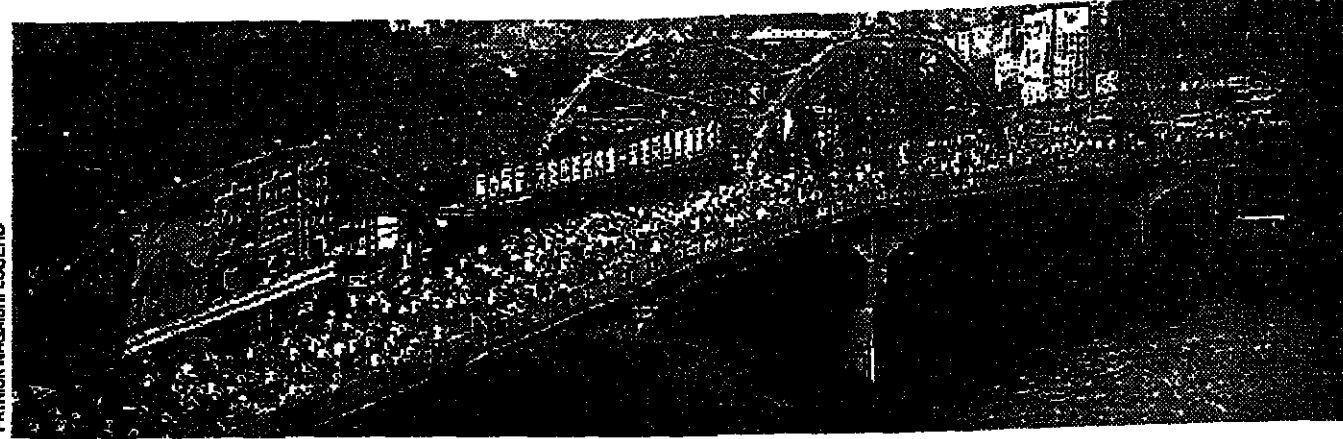
ny to enter China back in 1986. Much depends on the whims of Chinese bureaucrats at the state-controlled television networks and newspapers. "If they don't like you, they won't give you space," she says.

This is assuming, of course, that space is available. Demand is so high and advertising space so limited that companies may face a wait of a year or more to finally get their product before the public. Like anything in China, the wait depends on connections, or *guanxi*, within the Chinese system.

Another potential problem arises from Chinese demands that fees be paid in full before the advertisement is aired. Foreign companies have little recourse if their ad is bumped to another time slot on television or a different space in a newspaper.

Says Ms. Peng: "Clients are very reluctant to do this."

Pricing for advertising is also different for foreign companies, which in the Chinese capital are required to pay more than three times as much as their



The rise in living standards can only increase the already heavy demands on transportation infrastructure.

FINANCING RAILROADS, HIGHWAYS, PORTS

TEN years into the process of economic liberalization in China, which most analysts now characterize as "irreversible," investment bankers in Hong Kong are in search of capital to build and rebuild China's transportation infrastructure. Through their pension funds, North Americans and Europeans will be financing a substantial portion of the most intensive campaign of road, bridge, port and rail building in history.

"This century shifted wealth from the private sector to governments," said Hong Kong developer Gordon Wu in an address to the American Chamber of Commerce. "During the 19th century, most infrastructure development was privately financed. Now that governments have 'wasted' the money, private-sector development of infrastructure is again necessary. This is proving to be true in China."

China's need is acute. According to the U.S. Embassy in Beijing, China's existing transportation infrastructure is capable of carrying only about 60 percent of demand. China's rail network is the smallest in the world, and is used three times more intensively than that of the United States. Yet rail remains China's lifeline, carrying 58 percent of the country's freight in 1991, compared

with 18 percent by road and 21 percent by water.

China's road network has grown only slightly since the 1950s, even though the freight it carries has risen 250-fold. According to the World Bank, if private vehicle ownership relative to population were equal to that of the United States, China would have 800 million vehicles and would need 28 million kilometers (17 million miles) of roads.

The 2,000 ships that call yearly at Shanghai typically languish for a day or longer in the turgid waters where the Yangtze spills into the sea, waiting for a position in the overburdened port.

China's State Planning Commission and Ministry of Foreign Trade and Economic Cooperation this year have taken the first steps in seeking foreign help with the country's transportation woes, circulating a list of 210 major transportation infrastructure projects.

To attract financing for these and other infrastructure opportunities throughout Asia, Peregrine Investment Holdings, a major investment banker in Hong Kong, launched the Asian Infrastructure Fund. At the end of a day of presentations to pension fund managers in San Francisco, an executive with the fund said: "I like transportation, but bankers

don't understand it very well yet. They look at all the problems with Gordon Wu's superhighway, but that's a specific case."

David Taylor of the American Chamber of Commerce in Hong Kong confirms that American investment in transportation infrastructure is still minor.

"Americans are still wary of investing in long-term projects in China," he says.

Mr. Wu's company, Hopewell Holdings, is building a 188-mile system of six-lane superhighways linking Hong Kong and Macao to Guangzhou, the capital of Guangdong province. The province is the fastest-growing region in the world, registering 15 percent growth for the past three years. The superhigh-

way project, however, has been plagued by delays and substandard work by Chinese contractors.

Even so, with daily traffic volume between Hong Kong and Guangzhou projected at 100,000 vehicles per day a decade from now, Mr. Wu stands to make a packet. Un-

Current infrastructure serves only 60 percent of demand

structure is still minor. "Americans are still wary of investing in long-term projects in China," he says.

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der the terms of Hopewell's build-operate-transfer (BOT) arrangement, Hopewell will have an ownership interest in the highway and adjacent lands for 30 years, after which the assets will revert to its local government partners. BOT is, as one investor put it, "the flavor of the month."

"I think transportation infrastructure projects offer great prospects for sustainable long-term investments," says the fund executive. "One major advantage of transportation projects is that they require very few foreign components and, hence, little foreign currency. This is an especially important consideration in China's interior, where foreign currency reserves are small." Whitney Mason

Where billboards bloom, can celebrity endorsements be far behind? Beauty products in Shanghai and actress Gong Li, hawk of air conditioners.

Jackpot television spots are being replaced by fast-paced, slick productions more reminiscent of those from China's capitalist neighbor to the south, Hong Kong. More than 30,000 Chinese companies have already entered the advertising fray.

Even with all the recent trumpeting of China's market of nearly 1.2 billion consumers, the ways and means of getting to them are still limited.

"It's a seller's market," explains Mary Peng, chief representative in Beijing for Dentsu, Young & Rubicam, the first major Western advertising compa-

local counterparts for a 30-second spot on television. Meanwhile, a new law barring advertisers from buying directly from the media has sparked protests from foreign agencies, who say that the move will only be detrimental to establishing a market system.

Still, overseas interests, lured by the estimated 600 million Chinese who tune in to watch television and the millions who read newspapers, are for the moment willing to pay the higher prices, which are still far cheaper than in the West.

William Brent



Chinese ideogram for Dalian means big link

We have a big link with China.

Dalian is also the name of a big industrial port in north-east China where the WEPEC Chinese consortium, in partnership with TOTAL, is building one of the most modern refineries in the Far-East - with a capacity of more than 100,000 barrels a day. TOTAL is an international oil and gas company, present in over 80 countries. Our activities cover all sectors of the oil and gas industry, from exploration, production and trading to refining and marketing of petroleum products and LPG. TOTAL is also involved in the specialty chemicals industry (rubber transformation, resins, inks and paints). The Dalian project is only one of TOTAL's international partnerships, demonstrating our commitment to the development of energy projects worldwide. TOTAL China, Beizhan Binguang, West Wing, 100044 Beijing. Tel: (86) 18 3147 01. Fax: (86) 18 31 55 87. TOTAL BY NAME. TOTAL BY NATURE.



ENERGY-HUNGRY NATION REACHES FOR FOREIGN EXPERTISE

CHINA has embarked on the world's largest energy modernization program, and foreign oil, engineering and power companies are rushing to help the country leap into the 21st century.

Even though China has the fourth-largest power industry in the world, per capita consumption is very low, ranking only 80th in the world, and 120 million Chinese have virtually no electricity. China's energy needs are rising by 10 percent a year, and the country will need \$25 billion in foreign investment in the next eight years to maintain its booming economic growth.

Fourteen power projects worth \$8.2 billion are already in the works, from the nuclear power sector to the thermal power industry, which is building three 300-1,300 megawatt plants with foreign investment in south China alone.

Perhaps the most ambitious of China's energy projects are those designed to harness the country's vast water system. With 2,000 years of dam-building experience, Chinese planners already have their eyes on an ambitious \$100 billion scheme to develop the Yangtze River region before the year 2000.

The centerpiece of that project is the Three Gorges Dam. Set for completion in the early 21st century, it will be the world's largest hydroelectric project, supplying power-starved central China with all its electricity needs.

Critics said a few years ago that the country could not afford the estimated \$18 billion price tag, and international financial institutions appeared loath to grant the financing needed. But now Merrill Lynch has offered to devise fi-

nancing for the project, and fierce competition has begun among foreign engineering giants such as Kumagai Gumi, Westinghouse and General Electric.

In the middle of an industrial revolution that will dwarf that of the 19th century, the earth's most populous nation needs prodigious amounts of foreign technology and capital - not to mention oil. The Middle Kingdom has vast quantities of untapped oil, much of it in the western region of Xinjiang.

Because most of that oil is still in the ground, China recently signed a contract to import 3.5 million tons of oil a year from Saudi Arabia, and this year will become a net importer of oil for the first time since 1949.

Caltex, the oil-refining joint venture between Texaco and Chevron, believes Western petroleum companies can help provide China with enough of its own oil resources to keep its fast-growing economy going. Edward H. Old, chairman of Caltex China, says he is confident that Beijing will overcome problems caused by transportation bottlenecks and underfinanced refineries.

"China will become one of the most prominent forces, and certainly the lead market for growth in the Asia-Pacific region," says Mr. Old. "Even if you assume that the growth rate drops substantially - and they have said they want it to drop to 9 percent - the energy demands will continue to grow much faster than in Europe and the United States."

Energy experts once thought of China as a country with vast natural energy resources but, given the low-tech, low-

income nature of its society, few possibilities for their use. But that was before 1978, when senior leader Deng Xiaoping launched an economic reform program that surpassed all expectations and swallowed much of those resources. While it remains the largest oil producer in Asia, with a record production of 145 million tons last year, China accounts for only 5 percent of world oil production, and this has not kept pace with industrial demand.

"It would have been difficult for anyone to have predicted the kind of growth China has had," says Mr. Old, who concedes that China has taken large steps to develop more of its own oil resources.

China's highest hopes are reserved for Xinjiang's oil-rich Tarim Basin, but after years of trying to develop the region themselves, Chinese officials have now opened the remote area to foreign oil companies. Texaco and four other foreign companies agreed in February to develop a portion of the Tarim despite skepticism over Chinese estimates that Tarim's reserves are larger than those of Alaska's Prudhoe Bay.

Another Western company evaluating exploration possibilities in regions like Tarim is Total, which has been present in China for 15 years. It began in exploration and production, and has more recently moved into industrial cooperation and refining. Total has a 20 percent interest in the construction and operation of a refining complex in Dalian, which will have a capacity of 100,000 barrels a day when it starts up in 1995.

Nick Driver



Western petroleum companies are helping China fuel its expanding economy with its own energy reserves.

PERSEVERANCE PAYS OFF

IF Coca-Cola could get China's 1.2 billion people to drink one 1.25-liter bottle of soft drinks per week - less than the American average, but a long way from China's current average of two cans per year - the company would double its global annual sales of 10 billion cases. After investing decades of time and over \$100 million in China, Coca-Cola finally turned a profit in the challenging market in 1990. Perhaps more significantly, Coca-Cola's perseverance through the years is paying off in close cooperation with state authorities. The world's leading soft drink producer already has 13 bottling plants around the country, three of

which are state-owned. Last February, the company announced another \$150 million in international investment to build 10 more plants, most of them in China's thirsty interior. The company expects total investment in its China operations to reach \$500 million by 1996. Coca-Cola's share of the vast market is approximately 12 percent - more than twice that of its nearest international competitor - and signs emblazoned with the familiar Coca-Cola logo dominate streets where few Westerners have tread. One joint venture has even developed a fruit-flavored soda called Jinmeile especially for the mainland.

W.M.

PEREGRINE INVESTMENTS HOLDINGS LIMITED

百富勤



AS CHINA PREPARES FOR ITS CENTURY...

PEREGRINE'S GLOBAL REACH LINKS INTERNATIONAL CAPITAL WITH CHINA'S GROWTH OPPORTUNITIES

As a leading participant in Asia's capital markets, the Peregrine Group is at the forefront of international capital-raising for economic developments in the People's Republic of China.

We are proud to sponsor the 1994 China Summit Meeting in Beijing — an opportunity to bring together the highest levels of Chinese government officials with leaders of the international business community to discuss China's economic direction for the 21st century. *China's century.*

Peregrine is uniquely positioned to formulate and execute investment and financial strategies in China and throughout the region. We are Asia's largest independent investment bank outside Japan with:

- net assets of US\$500 million
- 17 offices in 11 Asian countries, including Beijing, Shanghai, Nanjing, Guangzhou, Shenzhen and Hong Kong
- global distribution

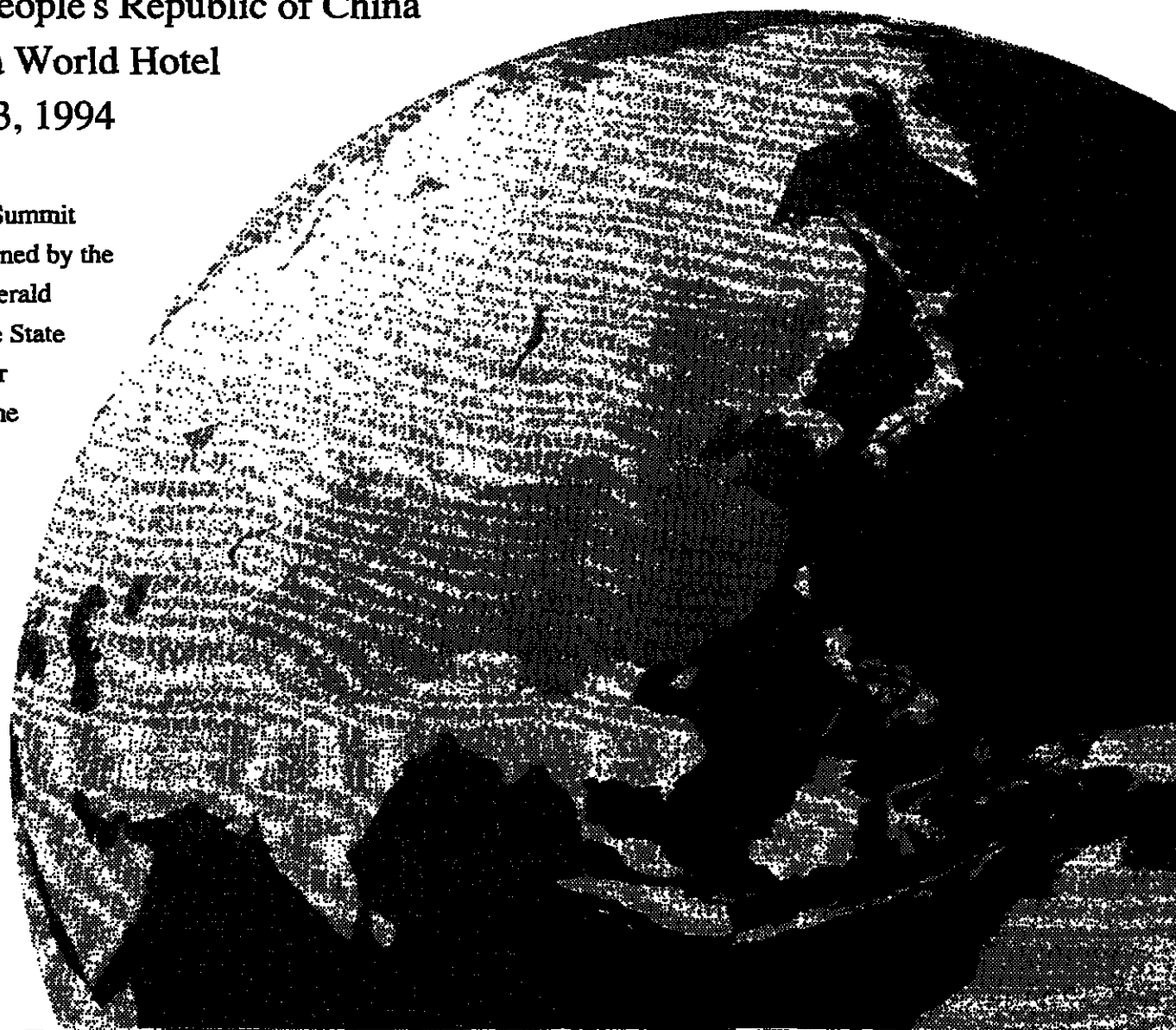
THE 1994 CHINA SUMMIT MEETING:

Sponsored by
Peregrine Investments Holdings Limited

THE SOCIALIST MARKET ECONOMY OF THE PEOPLE'S REPUBLIC OF CHINA, 1994-2000 IMPLICATIONS FOR GLOBAL BUSINESS

Beijing, People's Republic of China
The China World Hotel
May 11-13, 1994

An Economic Summit
Meeting Convened by the
International Herald
Tribune and the State
Commission for
Restructuring the
Economic
Systems of the
People's
Republic of
China



ADVERTISING SECTION

MAINLAND MARKETS EASE OPEN THEIR DOORS

THERE is increasing pressure in China to open a third official stock exchange. Some 22 major mainland companies are preparing to seek stock-market listings both in China and overseas, possibly including New York.

Tianjin, Wuhan and Shenyang are all vying for the exchange, which will supplement the work done by the exchanges in Shanghai and Shenzhen—even though Beijing has made it clear that the third exchange is unlikely to be set up this year.

Tianjin, like many other cities in China, already has a relatively well-developed financial-services center, with just over 200 members using computers to trade in state Treasury and corporate bonds as well as funds.

For the remainder of 1994, however, foreign investors will have to trade officially through one of the other two markets, which in practice means Shanghai.

While Shenzhen may be the center of

end of January, there were roughly five times more A- than B-shares, as well as an A-share mutual fund.

In the Shanghai market, total trading for 1993 reached 246 billion renminbi, or approximately \$28 billion at the swap exchange rate that prevailed at the end of last year. This was four and a half times the 1992 trading level of 54 billion renminbi.

The distinction between A- and B-shares, created partly because the renminbi is not yet fully convertible and partly because of the command-economy ethos of limiting foreign involvement, is under a great deal of pressure from both domestic and foreign traders. It will be some time before the merging of the two types of stock is possible, according to some sources in Shanghai.

According to press reports in Hong Kong, Hwang Guixian, a director with Shanghai Shenyin Securities, said that several other areas had to mature before any merging could be considered. He



Capital inflow is relieving the pressure on China's currency caused by the trade deficit.

IN SEARCH OF A VIABLE EXCHANGE RATE

THE reforms enacted by the Chinese government on Jan. 1 this year, which abolished the effective two-tier currency exchange system, have been hailed by Hong Kong Bank, among others, as "the most important reform of China's foreign-exchange system since the 1985 decision to establish swap markets."

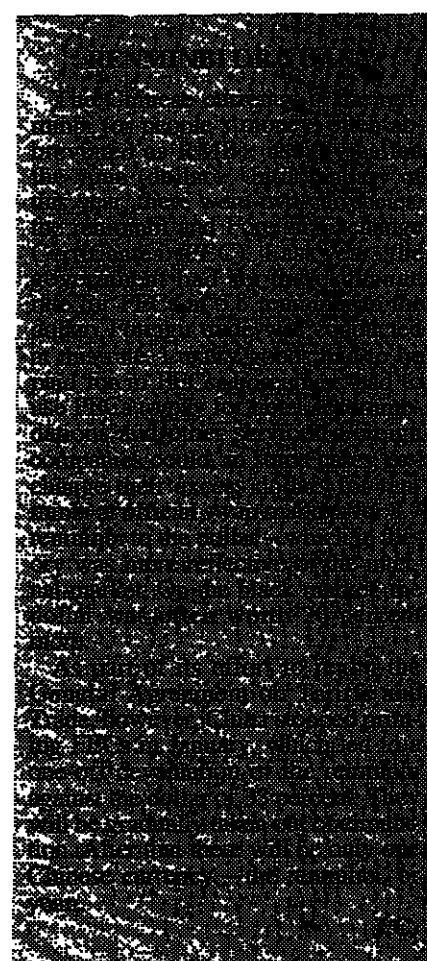
The reforms created a unified rate that is set daily by the People's Bank of China based on the market rate the day before. The bank gets that information from six of the major swap centers which, among them, handle more than 50 percent of transactions and are linked by a Shanghai-based computer network. It is the aim of Chinese officials eventually to link all the swap centers, thereby creating a truly national market.

April 1 had been set as a target date for this, but there are technical problems with the installation of the computer system, which may cause serious delays. The markets linked into the system will already have an estimated liquidity of over \$15 billion, according to press reports.

The system, based on supply and demand, is much nearer to international norms, an essential prerequisite of GATT membership—a major strategic goal of the Chinese leadership. The abolition of the two-tier system was comparable to a 33 percent devaluation of the renminbi, as well as what the Hong Kong Bank's China Briefing called "a useful first step towards full convertibility of the renminbi."

Despite the move's uncertain effect on China's trade, it signaled a clear intention by the leadership to reform the system.

There are still hurdles ahead, however, apart from any short-term confusion or initial adjustments. "Eventually, China can create a viable exchange rate for the renminbi, but there are a lot of pressures that it will have to deal with," says Ian Perkin, chief economist at the



Hong Kong General Chamber of Commerce.

One he is quick to cite in this context is inflation. Currently running at 24 percent in the urban areas, although much lower in the rural areas, the effect of inflation is akin to devaluing the renminbi domestically, says Mr. Perkin. It could fuel momentum toward another devaluation, something to be avoided at all costs unless it signals a structural upgrading of the economy.

The balancing act that China must

bring off in both the short and long terms is expanding trade and liberalizing its economy without adding to pressures to devalue. The short-term objective must be to avoid devaluation pressures in the overheated cycle that the economy is in now.

It remains to be seen how much will be remembered from mid-1992 to mid-1993, when the swap centers showed significant renminbi devaluation. This was largely due to economic overheating, which was sucking in imports and diverting resources from exports.

The problem of import demand growing faster than export capacity is common to developing economies. While China's trade deficit is putting pressure on the currency, Mr. Perkin points out that "capital inflow is saving it."

He offers an illuminating statistic in regard to rebalancing the import-export equilibrium so important to heading off devaluation. "There is some \$140 billion worth of investment pledged for China, only \$27 billion of which has been used," he says.

What concerns many at the moment is not the unsuitability of Chinese financial institutions for managing in a market-sensitive way the creation of a viable exchange rate. That, the conventional wisdom runs, will come with a fuller market economy and reform of the roles of the various banks—although that move is probably tied to some political timing.

The concern is rather the government's obsession with stabilizing the exchange rate at around 8.7 renminbi to the dollar, using methods such as selling reserves and tightening administrative control. Experts such as the Hong Kong Bank advise that it should focus instead on preventing sharp and sudden devaluations, and not use these devices to counter pressure for structural devaluation that will arise with the economy's maturation.

M.M.

A market in transition: Pre-capitalist transport at the Shanghai exchange; the modern Shenzhen trading floor.

China's economic boom, it is very much a poor cousin to the more traditional financial hub of Shanghai. It is also considerably overshadowed by the adjacent Hong Kong exchange, which has a much higher capitalization. This fact alone is influential in the number of Chinese companies seeking what is called an H-share listing there.

Confirming the prevalent view of Shenzhen as an immature or experimental market was the recent decision of the exchange to freeze listings of A-shares, i.e., those for sale exclusively to mainland Chinese, following a 40 percent decline in prices. B-shares are exclusively for foreign investors. By the

cited regulations, the legal framework for the country's work force and resource issues, particularly foreign exchange.

One company well-positioned to capitalize on the market is Peregrine, which has demonstrated considerable skill in helping China develop its economy. "We are a bridge between China and the outside world, having a long historical involvement and some good contacts there," says Francis Leun. Of Peregrine's strategy, he says: "We invest our own capital in China, help Chinese companies modernize and expand and help bring them to the public market." M.M.

THE LEADING EDGE IN THE CHINA REGION



Amoy Properties Ltd.
US\$300 million Convertible Cumulative Preference Shares

Applied International Holdings Ltd.
US\$75 million Convertible Bonds

Daily Farm Daily Farm International Holdings Ltd.
US\$208,997 million Euroconvertible Preference Shares

Hong Kong Land Ltd.
US\$410 million Convertible Bonds

Lai Pung Overseas Finance Ltd.
US\$150 million Convertible Guaranteed Bonds

Regal Hotels
US\$125 million Convertible Cumulative Preference Shares

Sino Land Company Ltd.
US\$200 million Convertible Bonds

Sun Hung Kai Properties Ltd.
US\$500 million Floating Rate Notes

China International Marine Containers Ltd.
Placing US\$198 million "B" Shares

China Merchants Shekou Port Service Co. Ltd.
New issue US\$161 million "B" Shares

Shanghai Jin Jiang Tower Co. Ltd.
Placing US\$14 million "B" Shares

Shanghai Jinglao Export Processing Zone Development Co. Ltd.
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STEERING THE COURSE OF GROWTH

Continued from page 11

"Then, after they had laid the political groundwork with the statements and in the NPC, they launched an austerity program at mid-year," Mr. Chan says.

A number of economists expect a replay of 1993's austerity program. "Li Peng is talking about 9 percent growth and getting inflation down," says Ian Perkin, chief economist at the Hong Kong General Chamber of Commerce. "That's unrealistic without a clampdown."

As last year, economists say, China would have to use administrative fiat to curb growth because market-oriented macroeconomic controls introduced early this year are not effective enough yet.

Last year's credit squeeze

pulled industrial production down from 27.6 percent year-on-year growth in the second quarter to 16.4 percent in October.

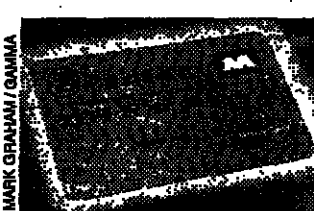
As the politically power-

ful state-owned sector ran short of working capital, China had to relax austerity measures in the fall. Industrial output growth jumped to 29.8 percent in December. Another mid-year, temporary curbside in credit would benefit some foreign investors.

"If you use foreign capital for a project, you can get very good terms," says Richard Wong, director of the Hong Kong Center for Economics Research.

On the other hand, foreign retail operations in China and foreign exports to China will likely suffer. Manufacturers who rely on domestic suppliers and markets will find that even foreign funding will not totally insulate them from harm. A widespread shortage of working capital will mean that many suppliers will have to cancel or curtail shipments, and end-users will not be able to pay for products.

Last year's credit squeeze did not bring down the over-



MARK GRADWILL/COMVIA

all rates of GDP growth or inflation. It did stabilize the renminbi, however, and curtailed diversion of funds to speculation in real estate, stocks and foreign exchange.

This year's attempt to slow down economic growth will probably result in "more or less a soft landing," says Vincent Chan, senior economist at Peregrine Brokerage. The 9 percent goal for GDP growth is reasonable, he says. "The key is growth in investment in fixed assets. The target is 10 percent. I think it will be 16 percent, compared to 50 percent last year."

Fixed-asset growth figures for the first few months of 1994 will be crucial, according to Mr. Chan. Lower in-

As the economy evolves, so must financial instruments and banking technology.

vestment will not get inflation to the NPC target of below 10 percent, but should push it down two percentage points to 12.5 percent for the year, he says.

He is also optimistic that China can cope with its growing trade deficit. After several years of surpluses, China suffered a \$12.2-billion shortfall last year, which some experts say threatens China's foreign-exchange reserves.

According to Mr. Chan, the deficit is likely to continue, but he says the current surge in imports is not a major problem because much of it consists of equipment and industrial materials going to rapidly growing ventures with foreign investment.

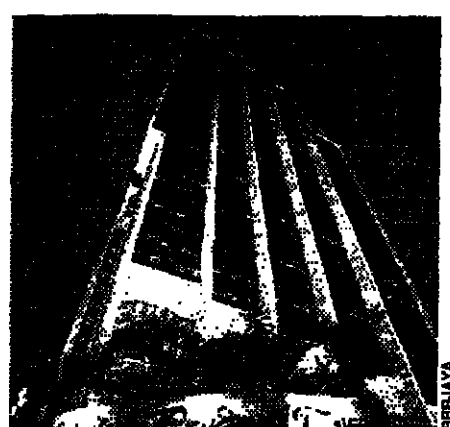
G.L.

MALAYSIAN FIRM'S MULTI-FACETED APPROACH

THEIR company name means "success," and Berjaya Group Bhd. of Malaysia is wasting no time in pushing ahead with ambitious plans for China.

With assets totaling over \$2.1 billion and an annual turnover of \$800 million, Berjaya is a publicly listed Malaysian conglomerate. Vincent Tan, its chief executive officer, who took over the company in 1984, has transformed the group from a steel-wire producer to a widely diversified group. Berjaya has adopted a policy of establishing business opportunities and growth through joint ventures and alliances, and has expanded its business in China as well as in Hong Kong, the Philippines, South America and the United States.

Having opened an office in Beijing only in late 1992, Ber-

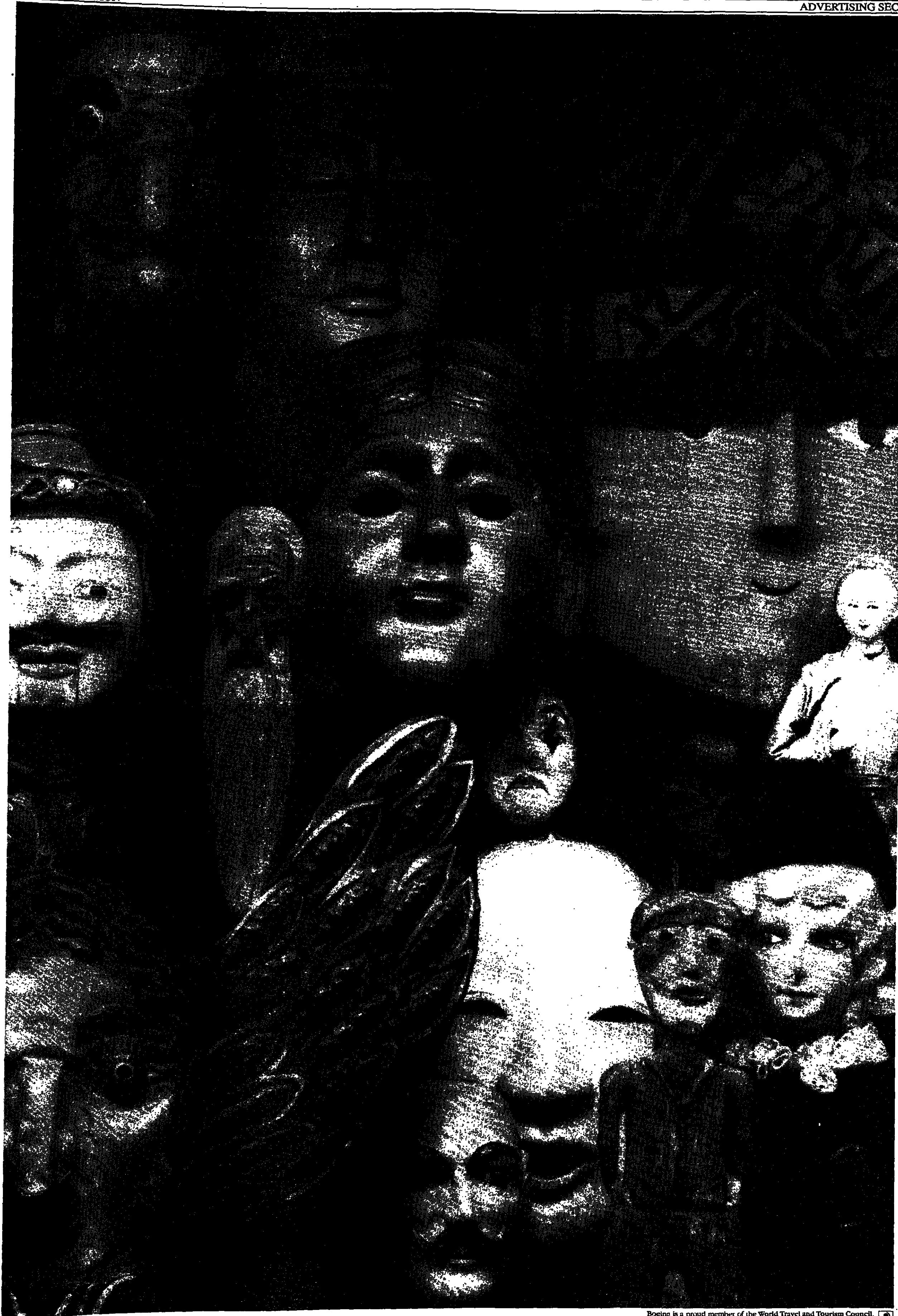


jaya was a relative latecomer to the Chinese market. In less than two years, it has committed itself to projects around the country in areas including infrastructure, property and real-estate development, social welfare, industry and recreation.

Berjaya's joint-venture projects and plans include constructing a second bridge in Nanjing spanning the Yangtze River, developing land in Shanghai's Pudong development zone, building a golf course in Shenyang and running a printing company in Beijing and a rubber powder plant in Qinhuaodao.

The company will be exploring additional possibilities and looking for more investment opportunities in China.

W.B.



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BOEING

ADVERTISING SECTION

TELECOMMUNICATIONS
GETS A WAKE-UP CALL

With the recent ending of its monopoly on telecommunications, China has given foreign companies a glimpse of new horizons in a market that is already the most promising in the world.

China expects to spend about \$6 billion this year alone on telecommunications, an astounding pace of development. New telephones installed this year will total 9 million, nearly double last year's figure, and the target by the year 2000 is 65 million, which would bring telephones to five of every 100 Chinese. More than 100 million lines will also be in place by the end of the century and about four times that by 2020, which would make China's the world's largest telephone system. The new switching systems will be program-controlled and digital. China plans to lay down 32,000 kilometers of fiber-optic cables between major cities by 1995. Cables will also link China to Japan and South Korea.

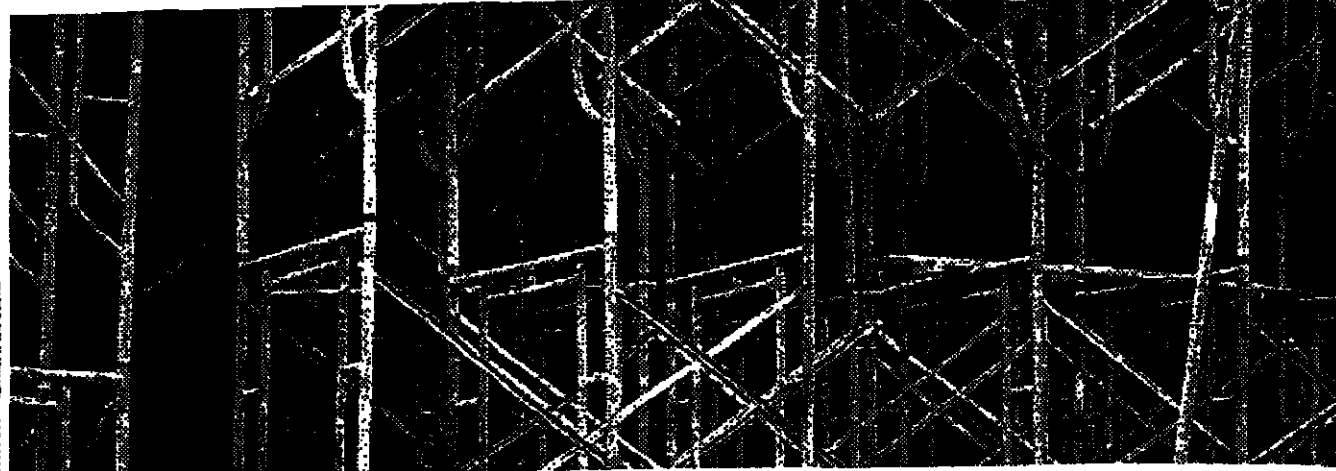
vides service and sets regulations, last year banned foreign companies from investing in, operating or taking part in the operation of China's telecommunications services. Despite the reiteration of the ban several times and the scuttling of several deals, most analysts say it is just a matter of time before it is lifted. "There's a good chance it will be lifted, say within the next five years or so," says Michael Ricks, vice president for business development at Ericsson Telecommunications China.

In a country where political controls are still tight, steps have also been taken to prevent the average Chinese from joining the information superhighway that the new telecommunication advances have brought. Private ownership of satellite dishes was banned last year, and subscription to international information networks is also restricted. As in the prohibition of foreign equity investment, most analysts believe restrictions on flow of information will become increasingly hard to enforce with the growth of the non-state sectors in China's economy.

In a market with such vast growth potential, no one seems particularly upset by these minor distractions. Sweden's Ericsson, for example, registered sales of some \$500 million in China last year, making China one of its top five markets in the world. "It's one of our biggest markets, and it's become one quite rapidly," says Mr. Ricks. Meanwhile, competitors like Siemens, Alcatel and NEC have also carved out substantial pieces of the Chinese switching system market. Motorola has dominated the cellular telephone and pager market, although competition is becoming stiffer. AT&T has recently taken steps to increase its market share. W.B.

Vying for the cellular market.

Naturally, the telecommunications boom has attracted all the world's major players, but some restrictions remain in force. The Ministry of Posts and Telecommunications, which pro-



A forest of scaffolding cannot obscure lingering tight regulations on construction.

REAL ESTATE: NOT TOO HOT TO HANDLE

The Chinese real-estate market is starting to bounce back after last summer's politically inspired cool-down. This presents good opportunities for foreign investors, experts say, though they warn that the fledgling market still poses problems for the unwary investor.

Real estate and construction were strongly affected by economics czar Zhu Rongji's 16-point austerity plan last July, which was designed to slow an economy on the verge of overheating. Loans to developers were restricted, certain speculative property ventures at the luxury end of the market were canceled and some 100

billion yuan (\$11.5 billion) in unauthorized loans to property developers was recalled.

The result was a turnaround, with land prices falling up to 30 percent in some regions in the second half of 1993. Coupled as this was with a 10 percent drop in commercial property investment, the market started to look favorable to foreign investors once prices started to right themselves.

Some experts in the property field, such as Dominic Leung, head of the China services division at Richard Ellis in Hong Kong, view these measures as a good thing, arguing that they are necessary for the regulation of the industry. Mr. Leung points out that by sealing off domestic finances, "new opportunities were made available on schemes planned that were short of funds."

As is often the case in China, the key is the right joint-venture partner. "It depends on where you are from, the financial muscle you have and the connections," says Mr. Leung.

One hurdle still to be overcome is that no non-Chinese national can own property via a freehold arrangement. Leaseholds are the norm. These cannot exceed 50 years, except in the

residential sector, where 70-year leaseholds are usual. A related problem affecting the sector is the degree of state control it is still subject to. C.N. Brooke, senior partner in the Hong Kong property brokerage Brooke

Leung calls "still pretty unsophisticated," is without return. Not only can it benefit from Western expertise, but there is a fast-growing demand for all types of commercial premises.

Mr. Leung sums up the

Rents have doubled twice in Beijing in 18 months

Hillier and Parker, summed it up best when he said in a speech in Hong Kong in March: "Amidst a confusion or absence of regulations, the central and provincial governments have made several attempts to regain control of the property sector - and of its financial awards."

There is also draconian legislation of the construction industry in regard to plot ratios and zoning. "There are a lot of restrictions, more than in Hong Kong," says Mr. Leung.

This does not mean that the market, which Mr. Le-

supply side of the equation for China in three words: "There isn't any."

His advice, which is also offered by other property experts, is to avoid the regional fragmentation of the national market and to concentrate on prime sites.

This means avoiding or deferring getting on the real-estate bandwagon in secondary locations such as Wuhan, Nanjing, Chengdu and Shenyang. "Big cities and prime locations that will hold their value even if the market hiccups" are to be preferred, says Mr. Leung.

Geographically, this means Beijing, where office rents have doubled twice in the past 18 months, Shanghai, Guangzhou and the Pearl River Delta, particularly the town of Shenzhen.

MLM.

THE MOST IMPORTANT BUSINESS MEETING EVER ORGANIZED IN CHINA.

The International Herald Tribune and the State Commission for Restructuring the Economic Systems of the People's Republic of China have invited the world's business leaders to an unprecedented summit meeting on China's socialist market economy. Its aim is to foster a dialogue at the highest levels amongst the leaders of the Chinese government and the global business community. The Summit, "The Socialist Market Economy of the People's Republic of China: Cooperation with Global Business," will be held in Beijing on May 11th and 12th of this year.

Herald Tribune

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ELECTRIFYING THE MAINLAND

DESPITE China's fast-growing economy, factories in the booming coastal regions are forced to operate at 75 percent of capacity because of a dearth of electrical power.

"China is the largest market for power generation in the world," says Alexis Fries, top executive in the Asia-Pacific region for electrical engineering giant ABB Asea Brown Boveri. "Just in order not to lose further ground, China has to add 15,000 megawatts a year - that's equivalent to electrifying Switzerland - every year."

ABB's relationship with China can be traced back to 1907, when it supplied the country's first steam boiler. The Zurich-based group has had an office in Beijing since the late 1970s.

In the last few years, ABB has stepped up its operations in China, building six power generation plants of various types from



Harbin to Guangdong. It has also set up six industrial-service joint ventures.

For the immediate future, ABB aims to build two power plants per year. The plants will average 1.2 gigawatts, double the capacity of plants built in the last few years.

The next step for ABB is to replace imported components, which drain scarce foreign-currency reserves, with parts manufactured in-country.

ABB is having little trouble finding financing for its projects in China, according to Mr. Fries. "Infrastructure investments have been a discovery for overseas Chinese," he says. "Energy infrastructure investments offer the benefits of stable demand, steady cash flow and flexible options. Moreover, power generation is an essential prerequisite for any other industrial development."

W.M.

FLEETS, TECHNOLOGY, SECURITY

Continued from page 11

ers Boeing will produce in 1994, or 36 airplanes, will go to this market. Boeing also helped launch an aircraft maintenance course in Tianjin, where graduates study for U.S. Federal Aviation Administration exams. In addition, Boeing assisted China Southern Airlines in setting up an FAA-approved flight-training center in Zhuhai, near Macao.

The French-based European consortium Airbus Industrie has set up Airbus Industrie China to handle various commercial, industrial and product-support activities.

The company will set up a service support center and a flight-training center with modern flight simulators in Beijing.

Airbus already provides regular technical assistance at three major Chinese airlines' maintenance bases.

Hong Kong's Cathay Pacific Airways has responded to China's appeal for help with airline management training. In March, the airline signed an agreement with the China National Aviation Corp. to provide

free on-the-job training and seminars.

Under the agreement, middle and senior management from China's many airlines will be seconded to Cathay headquarters for six-month stints. There they will learn revenue management, scheduling, flight operations, marketing, scheduling, staff training and development as well as passenger and cargo operations.

Jim Eckes, Hong Kong-based managing director of the aircraft consulting and leasing firm Indoswiss Aviation Ltd., sees excellent opportunities for Western companies in China.

One area is in short-term joint ventures or management contracts with Chinese airlines, especially the new, smaller carriers.

"A lot of cities and provinces feel neglected by the big airlines and want to start up their own carriers," he says. "They may have to bring in a foreign airline for financial or managerial assistance."

Help will be needed in reservations systems as well. "The airlines already have the airplanes and full flights, but the reservations systems

are inefficient. I'm not certain when they will focus on this, but they will have to," he says.

Major overseas airlines are reported to be marketing their reservations systems in China now. According to Hong Kong-based executive David Solloway of United Airlines, "There is a mind-boggling potential for CRS [computer reservations systems] in China."

China's growing airlines need Western technology and systems to handle the growing traffic, he says. China Southern Airlines has already asked the U.S. carrier for a computer so it can plug its international reservations office in Guangzhou into United's Apollo system.

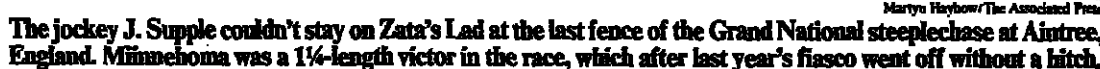
Security expertise provides another opening for Western companies. In March, a team from the U.S. company Aviation Defense International was invited to look at Beijing Airport. ADI trains personnel in perimeter security, access control, passenger checks and documentation checks. Security hardware companies have also been involved in talks with Beijing.

Garry Marchant

Olajuwon in Foul Trouble, Maxwell Boosts Rockets

Orlando defeated the Heat for the third time in five meetings to win the season series for the first time in the team's five-year history. The Heat lost all three games in Miami this season.

The Pistons, with eight games remaining, must catch either Miami, Indiana or New Jersey to get a postseason berth. They trail the Pacers and Nets by four games and the Heat by 4½.



60 yacht, the European entry *Intrum Justitia*. But Yamaha reeled the Italians back in on Sunday to take a 12-nautical-mile lead, with *Intrum* a further six miles behind.

At least 23 people were arrested

(Reuters, AP, NYT)

PatDent	2089	33	30	6%	
PatEng	96	6	6	6%	
PatEn w/	17	3	3	6%	
Pharms	1568	6	5	6%	
Phaulson	7230	12	11	12%	
Psychu &	4633	36	35	36	

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Sales						Sales					
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1.2	2	25	25	25	25	1.2	2	25	25	25	25
1.3	3	25	25	25	25	1.3	3	25	25	25	25
1.4	4	25	25	25	25	1.4	4	25	25	25	25
1.5	5	25	25	25	25	1.5	5	25	25	25	25
1.6	6	25	25	25	25	1.6	6	25	25	25	25
1.7	7	25	25	25	25	1.7	7	25	25	25	25
1.8	8	25	25	25	25	1.8	8	25	25	25	25
1.9	9	25	25	25	25	1.9	9	25	25	25	25
1.10	10	25	25	25	25	1.10	10	25	25	25	25
1.11	11	25	25	25	25	1.11	11	25	25	25	25
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12.6	6	25	25	25</							

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MONDAY SPORTS

SCOREBOARD

BASEBALL

Major League Standings

Team	W	L	Pct.	GB
American League				
East Division				
Boston	4	1	.800	0
Toronto	3	1	.750	1
Baltimore	3	1	.750	1
New York	3	1	.750	1
Detroit	2	1	.667	2
Central Division				
Cleveland	3	0	1.000	0
Minnesota	3	0	1.000	0
Chicago	2	1	.667	1
St. Louis	2	1	.667	1
Kansas City	1	1	.500	2
West Division				
California	2	0	1.000	0
Oakland	2	0	1.000	0
Texas	2	0	1.000	0
Seattle	1	1	.500	1
National League				
East Division				
Atlanta	5	0	1.000	0
New York	4	0	1.000	0
Philadelphia	3	0	1.000	0
Montreal	2	0	1.000	0
Florida	2	0	1.000	0
Central Division				
Cincinnati	3	0	1.000	0
St. Louis	3	0	1.000	0
Chicago	2	0	1.000	0
Houston	2	0	1.000	0
Pittsburgh	1	1	.500	1
West Division				
San Francisco	4	1	.800	0
Los Angeles	3	1	.750	1
Colorado	2	1	.667	2
San Diego	1	1	.500	3

Friday's Line Scores

Team	W	L	Pct.	GB
American League				
East Division				
Boston	3	0	1.000	0
Toronto	2	0	1.000	0
Baltimore	2	0	1.000	0
New York	2	0	1.000	0
Detroit	1	1	.500	1
Central Division				
Cleveland	3	0	1.000	0
Minnesota	3	0	1.000	0
Chicago	2	1	.667	1
St. Louis	2	1	.667	1
Kansas City	1	1	.500	2
West Division				
California	2	0	1.000	0
Oakland	2	0	1.000	0
Texas	2	0	1.000	0
Seattle	1	1	.500	1
National League				
East Division				
Atlanta	5	0	1.000	0
New York	4	0	1.000	0
Philadelphia	3	0	1.000	0
Montreal	2	0	1.000	0
Florida	2	0	1.000	0
Central Division				
Cincinnati	3	0	1.000	0
St. Louis	3	0	1.000	0
Chicago	2	1	.667	1
Houston	2	0	1.000	0
Pittsburgh	1	1	.500	1
West Division				
San Francisco	4	1	.800	0
Los Angeles	3	1	.750	1
Colorado	2	1	.667	2
San Diego	1	1	.500	3

Baseball

Team	W	L	Pct.	GB
American League				
East Division				
Boston	3	0	1.000	0
Toronto	2	0	1.000	0
Baltimore	2	0	1.000	0
New York	2	0	1.000	0
Detroit	1	1	.500	1
Central Division				
Cleveland	3	0	1.000	0
Minnesota	3	0	1.000	0
Chicago	2	1	.667	1
St. Louis	2	1	.667	1
Kansas City	1	1	.500	2
West Division				
California	2	0	1.000	0
Oakland	2	0	1.000	0
Texas	2	0	1.000	0
Seattle	1	1	.500	1
National League				
East Division				
Atlanta	5	0	1.000	0
New York	4	0	1.000	0
Philadelphia	3	0	1.000	0
Montreal	2	0	1.000	0
Florida	2	0	1.000	0
Central Division				
Cincinnati	3	0	1.000	0
St. Louis	3	0	1.000	0
Chicago	2	1	.667	1
Houston	2	0	1.000	0
Pittsburgh	1	1	.500	1
West Division				
San Francisco	4	1	.800	0
Los Angeles	3	1	.750	1
Colorado	2	1	.667	2
San Diego	1	1	.500	3

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BASKETBALL

NBA Standings

Team	W	L	Pct.	GB
Eastern Conference				
Atlantic Division				
New York	2	1	.667	0
Orlando	2	1	.667	0
Washington	2	1	.667	0
Boston	1	1	.500	1
Philadelphia	1	1	.500	1
Central Division				
Chicago	2	1	.667	0
Indiana	2	1	.667	0
Cleveland	1	1	.500	1
Charlotte	1	1	.500	1
Atlanta	1	1	.500	1
Western Conference				
Midwest Division				
San Antonio	2	1	.667	0
Utah	2	1	.667	0
Portland	2	1	.667	0
Denver	1	1	.500	1
Minnesota	1	1	.500	1
Pacific Division				
Seattle	2	1	.667	0
Phoenix	2	1	.667	0
Los Angeles	2	1	.667	0
Golden State	1	1	.500	1
San Diego	1	1	.500	1

Friday's Line Scores

Team	W	L	Pct.	GB
Eastern Conference				
Atlantic Division				
New York	2	1	.667	0
Orlando	2	1	.667	0
Washington	2	1	.667	0
Boston	1	1	.500	1
Philadelphia	1	1	.500	1
Central Division				
Chicago	2	1	.667	0
Indiana	2	1	.667	0
Cleveland	1	1	.500	1
Charlotte	1	1	.500	1
Atlanta	1	1	.500	1
Western Conference				
Midwest Division				
San Antonio	2	1	.667	0
Utah	2	1	.667	0
Portland	2	1	.667	0
Denver	1	1	.500	1
Minnesota	1	1	.500	1
Pacific Division				
Seattle	2	1	.667	0
Phoenix	2	1	.667	0
Los Angeles	2	1	.667	0
Golden State	1	1	.500	1
San Diego	1	1	.500	1

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The Surreal Headgear of Stephen Jones

By Suzy Menkes

LONDON — In the space of a single day, Stephen Jones might find himself whipping up a meringue-like confection for a trans-Atlantic client; molding a metal-mesh helmet for Claude Montana; shipping a consignment of rain hats to Tokyo; and comforting, consoling and equipping the mother of the bride.

If all that sounds an unlikely occupation for the modern age, you have to know that Jones is a milliner extraordinary.

Tastemakers

An occasional series about people for whom style is a way of life

aire — one of England's mad hatters who has achieved international status.

His latest collaboration has been with fellow countryman John Galiano — a symbiotic relationship in which Jones's saucy cocktail hats and curling geisha-girl straw pieces reflected the spirit of the clothes.

Jones, 36, could claim to be following the headlines written by Elsa Schiaparelli in the 1930s. Ever since he graduated from St. Martin's School of Fashion in 1979, Jones has been known for surreal hats — witty, fantastic, whimsical creations, from a fried egg sunny-side up on a tilted platter to a reincarnation of Schiaparelli's glove and ballet shoes sprouting from the head. When the Fashion Institute of Technology in New York staged a "Fashion and Surrealism" exhibition in 1988, Jones's hats had pride of place.

"But I wouldn't do something like that now," says Jones, referring to the fried-egg hat. "I am now very much more into fabric and texture. A hat doesn't exist by itself. It is an accessory to other clothes."

Indeed, and who in a world of working women and baseball-capped presidents wears model millinery — the hand-made, craft-based headgear that is the haute couture of hats?

"A baseball cap is just as valid as a felt hat was 20 years ago," insists Jones. "And young people — especially in England and even in Tokyo — the under 25s all wear hats."

To cater to different tastes and pocket books, Jones makes a range of ready-to-wear hats, of which a pull-on rainhat — corduroy velvet one side and plastic the other — is a best-seller from Manhattan to Tokyo. Princess Diana is a client for soft, casual headwear, rather than the "statement" hats that she once considered essential for her royal role.

Jones has an international clientele for formal hats, with a core of 30 to 50 customers who come back each season. That means English ladies (inspired by the royal family) flocking for summer garden party hats, and winter hats ordered by Germans, Canadians and Hong Kong clients. His London studio draws young and old, from 18-year-olds to elderly ladies. He is currently overwhelmed with orders for the Royal Ascot race meeting at which a formal hat is de rigueur.

Jones's heart is in the model hats to which he tries to give "verve and crispness" and a touch of irony: a giant lettuce leaf made out of spring green chiffon dipped in gelatin; a cage created from plastic wire; a perky hat fashioned from wood-shavings; a pleated organza hat, its



Milliner extraordinaire Stephen Jones is one of England's mad hatters who has achieved international status.

spiral of pleats folded by hand to the beat of a metronome to get the right rhythm." His latest collection, entitled "Rococo Future" will be the subject of a Tokyo exhibition at the Ginza Artspace in May.

Jones says that his hat heroes are Schiaparelli "because her hats were complete fantasy" and Lily Dache, the French-born American milliner with "a combination of French sophistication and American pizzazz, the optimism and brightness of the period." That is a spirit he tries to emulate.

"I hope there is a lightness and a whimsy and a playfulness," he says, "and that I reach the point between when a hat is an imposition and is balanced with the person who is wearing it."

The annual turnover of his business is £1 million (\$1.5 million), which includes Jones's work as a consultant to the Japanese beauty firm Shiseido, 40 percent from the Miss Jones ready-to-wear line and 30 percent from model hats, plus his work with designers for runway shows and designs for rock stars.

Since the early 1980s, Jones has created hats for Roy George, Mick Jagger, Grace Jones, George Michael, Diana Ross and bands including Spandau Ballet and recently Rhythm 'n' Bass, whose members he describes as "arriving in the showroom as though it were Aladdin's cave." Jones's taste for the avant-garde prevents even his

special-occasion hats from becoming the brimful-of-roses beloved by English country ladies. Rather than reveling in trimmings, he sculpts in straw or crin (hatmaker's horsehair), using transparency or curving lines to give femininity and romance.

For the runway, he can indulge in fantasy, making the hats "high-heeled, fun and a bit frivolous." Even after nine years of a "great relationship," he finds Claude Montana a demanding taskmaster, requiring modern inventiveness rather than references to the past like Galiano. Jean-Paul Gaultier wants ideas, pumping Jones to come up with inspiration according to each collection's theme.

But what about Mrs. Average who needs a hat for an occasion yet hardly knows how to put it on her head?

"When customers come in, they are unsure — they don't know what they want," he says. "Then you work with proportion, texture and balance and make them feel more confident, comfortable and beautiful because they are more relaxed."

That nonchalance comes from the knowledge that the hat is made to suit — whether it is a show-stopping beret of lace wire, or a simple straw cloche.

"A hat can take you away and allow you to become somebody else," Jones says. "And that touch of fantasy is much easier to put on with hats than clothes."

LANGUAGE

It's Swell to Be Peppy Again

By William Safire

WASHINGTON — Lloyd Cutler, the 76-year-old Washington legal establishmentarian, was asked by a reporter if he would consider staying on as President Clinton's White House counsel beyond the short period that had been announced. Cutler replied that he limited his planned stay "in part because I'm married fairly recently to a very young and peppy wife and I want to spend some more time with her."

Peppy is a swell word. Like *swell*, it is Old Slang, part of the razzmatazz language used by Generation Z (the incipient geezer set), which can still recall the lyrics of Ira Gershwin and Cole Porter. I can remember my mother telling me how to do well on television in the early '50s: "Be peppy!"

Cutler's wife of four years was assumed by some Generation X members of the press corps to be their age. Not so; Mrs. Cutler is the artist Polly Kraft.

It is Old Slang, part of the razzmatazz language used by Generation Z (the incipient geezer set).

widow of the columnist Joseph Kraft, and sister of Kay Evans, wife of the columnist Rowland Evans. Her age is her own business, but she is in my cohort and I am no spring chicken, to use another example of Old Slang.

But peppy Polly is. (In a generation, she will be said to be *spirited*, and as a nonagenarian, *spry*.)

Peppy is a shortening of *pepper*, which took place about the time, 1912, that gin up was spawned from ginger. Advertising copywriters used it before that industry found its home on Madison Avenue: "This newest Overland Four," went a Canadian car ad in 1916. "Has more power, pep, punch, and speed." Sports coaches were said to be giving leathargic athletes pep talks. A breakfast cereal named Pep did well before flaking out.

The adjective *peppy* appeared at the close of World War I, according to Merriam-Webster's 10th Collegiate, and was used by Sinclair Lewis in "Babbalanza," his best-selling 1922 novel: "Wouldn't it be a good idea if I could go off to China or some peppy place?" (That location may have been repeated, to his rue, by Secretary of State Warren Christopher 72 years later.)

Standard English synonyms include *spirited*, *lively*, *energetic* and *vigorous*. All those words have the requisite life in their meaning, but only the grand old *peppy* can claim yesterday's quality of being full o' pep.

The most ominous phrase in diplomatese these days is *near abroad*. It means "people of Russian ethnic background who now live in states that broke away from the Soviet Union." If Russia and Ukraine go to war over Crimea, until 1954 a part of Russia and with a mostly Russian-speaking population, it will be over Russia's reach to bring back its *near abroad*. The earliest citation turned up by the Dialog retrieval

al system is this letter to The Washington Times of April 21, 1993: "Mr. Bodie criticized Russia's proclaimed interest in the 'near abroad.' He said that Russia's belief that it must resurrect its presence in the near abroad is 'the epitome of the political classes' and does not serve the Russian democratization movement."

The earliest Nexis citation is not until Nov. 30, 1993, in the English-language Moscow News, describing a competition of handresses "from different cities of Russia and the 'near abroad.'"

The meaning is usually "Russian ethnic living in neighboring states, but near Russia's border and under a claimed Russian protection." In Britain, the Oxford English Dictionary editors tell me their earliest citation is from a British publication, The Art Newspaper, dated April 1993, and defines the phrase more by territory than population: "Russia's new borders with the so-called 'near abroad' (the republics of the former U.S.S.R.) are becoming a reality." In October 1993, The Boston Globe also defined it by territory and hyphenated the phrase: "the new nations along the Russian periphery — a swath of territory that Russians call the 'near-abroad.'"

We're missing something big. I'm speculating, but usage must have begun soon after the breakup of the Soviet Union in August 1991, probably by the Russian press in quoting Russian officials.

Who coined *near abroad* — in Russian *blizhnaya zarubezhnye*, I'm informed by Celestine Bohlen, the New York Times Moscow bureau chief — and who first translated it into English? Send specific citations to Academician Safire, New York Times Washington Bureau, 1627 Eye Street N.W., Washington, D.C. 20006, U.S.A.

Mouth to mouth is a form of resuscitation; **Mouth 2 Mouth** is a new magazine from Time aimed at teenagers of both sexes and is described by its editor, Angela Jamikow Harrington, as "a cross between Vanity Fair and Mad."

I have plunked down \$15 for a year's subscription because it has a feature titled "Words We Hate," by Eve Shapiro, damning the "subtle and insidious" words "that pollute a conversation."

Ample is out: "a fancy way of saying you're fat." Youthful resistance to euphemism is a hopeful sign, but *moolah* and *oinment* are also taboo in speech for an odd reason: "Notice how your face has to scrunch up unattractively. . . . Pins, they sound like you're making barnyard noises."

Nite, kwik, e-z, thru — "Dat-out lazy. Why do advertisers think misspelling is such a consumer draw?" Can't kid the kids.

"If we've saved just one person from the crushing shame," Shapiro writes, "of using, say, *brouhaha* in a casual conversation, we can consider our job done."

Gee, I'm sorry you see *brouhaha* — "hulabaloo" — vanish from the teen scene. It's a peppy word.

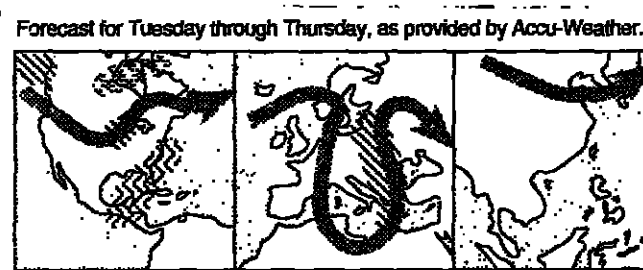
New York Times Service

INTERNATIONAL CLASSIFIED
Appears on Page 11

WEATHER

Forecast for Tuesday through Thursday, as provided by Accu-Weather.

Europe	Tuesday	Wednesday	Thursday
Algeria	21/70 10/50	19/68 14/57	19/68 14/57
Amsterdam	12/53 7/44	11/52 8/43	11/52 8/43
Antwerp	20/71 10/50	19/68 14/57	19/68 14/57
Athens	20/71 10/50	19/68 14/57	19/68 14/57
Berlin	14/57 8/48	14/57 8/48	14/57 8/48
Brussels	12/53 7/44	11/52 8/43	11/52 8/43
Budapest	17/62 10/50	16/61 11/52	16/61 11/52
Copenhagen	11/52 6/43	10/50 5/41	10/50 5/41
Costa Del Sol	20/69 11/52	20/69 11/52	20/69 11/52
Dublin	13/55 8/46	11/52 8/43	11/52 8/43
Edinburgh	11/52 6/43	10/50 5/41	10/50 5/41
Frankfurt	12/53 7/44	11/52 8/43	11/52 8/43
Geneva	14/57 8/48	14/57 8/48	14/57 8/48
Helsinki	11/52 6/43	10/50 5/41	10/50 5/41
London	12/53 7/44	11/52 8/43	11/52 8/43
Los Angeles	20/71 10/50	19/68 14/57	19/68 14/57
Madrid	14/57 8/48	14/57 8/48	14/57 8/48
Moscow	12/53 7/44	11/52 8/43	11/52 8/43
Munich	14/57 8/48	14/57 8/48	14/57 8/48
Nice	13/55 8/46	11/52 8/43	11/52 8/43
Osaka	10/50 5/41	10/50 5/41	10/50 5/41
Paris	12/53 7/44	11/52 8/43	11/52 8/43
Peking	14/57 8/48	14/57 8/48	14/57 8/48
Prague	12/53 7/44	11/52 8/43	11/52 8/43
Rangoon	14/57 8/48	14/57 8/48	14/57 8/48
Rome	12/53 7/44	11/52 8/43	11/52 8/43
St. Petersburg	11/52 6/43	10/50 5/41	10/50 5/41
Stockholm	11/52 6/43	10/50 5/41	10/50 5/41
Taipei	14/57 8/48	14/57 8/48	14/57 8/48
Tokyo	14/57 8/48	14/57 8/48	14/57 8/48
Vienna	14/57 8/48	14/57 8/48	14/57 8/48
Warsaw	12/53 7/44	11/52 8/43	11/52 8/43
Winnipeg	10/50 5/41	10/50 5/41	10/50 5/41
Zurich	10/50 5/41	10/50 5/41	10/50 5/41



Unusually Cold Unusually Warm Heavy Rain Heavy Snow

North America Showers Tuesday and Wednesday from New York City to Washington, D.C., then windy and warm with some sun on Thursday. Rain likely in Chicago and Detroit Tuesday and Wednesday. Rainy Tuesday and Wednesday. Rainy Tuesday and Wednesday. Rainy Tuesday and Wednesday.

Europe Rainy, chilly weather will begin the period from Poland and eastern Germany south to Italy and Greece. Some rain will linger through mid-week. Western Germany, through France will be cool for the season with a few showers Tuesday, England, Spain and Portugal will be mostly dry.

Asia Rainy, windy weather will hit Japan Tuesday and there will be showers into Wednesday, Tuesday, it will shower in South Korea and perhaps Shanghai, China, with dry weather afterwards. Tuesday will be muggy in Hong Kong, Shenzhen and Taiwan; it may downpour. Midweek will be moderate.

Africa Rainy, windy weather will hit South Africa Tuesday and Wednesday. Rainy Tuesday and Wednesday. Rainy Tuesday and Wednesday. Rainy Tuesday and Wednesday.

Latin America Rainy, windy weather will hit Central America Tuesday and Wednesday. Rainy Tuesday and Wednesday. Rainy Tuesday and Wednesday. Rainy Tuesday and Wednesday.

Middle East Rainy, windy weather will hit the Middle East Tuesday and Wednesday. Rainy Tuesday and Wednesday. Rainy Tuesday and Wednesday. Rainy Tuesday and Wednesday.

Oceania Rainy, windy weather will hit Oceania Tuesday and Wednesday. Rainy Tuesday and Wednesday. Rainy Tuesday and Wednesday. Rainy Tuesday and Wednesday.

Legend: s=sunny, c=partly cloudy, sh=showers, h=heavy rain, m=moderate rain, w=windy, l=light rain, v=very light rain, f=fog, t=thunder, b=blizzard, s=snow, l=light snow, h=heavy snow, m=moderate snow, w=windy, l=light wind, v=very light wind, f=fog, t=thunder, b=blizzard, s=snow, l=light snow, h=heavy snow, m=moderate snow.

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CROSSWORD

ACROSS

1. Expire, as a membership
6. Show hosts, for short
8. Fill
13. Secretary of State
14. Dadaist Hans
15. Like Old King Cole
16. Baseball bigwig Bud
17. Assurance
19. Not brand-name
21. Spring blooms
22. Widebe